

NEWS: EUROPE

Shell stunned by Brent Spar anger

By Robert Corzine and
Judy Dempsey in Berlin

Executives at Royal Dutch Shell, the Anglo-Dutch oil giant, must be musing this weekend on the thought that sometimes it is not enough to abide by the letter of the law.

As the Brent Spar, Shell's disused North Sea oil storage platform, moves ever nearer its deep sea disposal site off the Scottish coast, the company yesterday continued to defend its controversial dumping plan. Although Shell held out the prospect of some delay in the planned sinking due to bad weather, the official line was unchanged. Company managers stressed that the deep sea option was only chosen after three years of analysis, and that the disposal plan meets all UK and international legal obligations.

But the company line was being battered by a growing storm of public opposition in continental Europe.

In Germany, where opposition to the plan has been greatest, the boycott of Shell gained further momentum yesterday. For the first time in many years Germany's political parties put aside their differences to unite in opposition to the dumping of the Brent Spar. It coincided with a swelling grassroots movement involving churches, trade unions and local politicians to boycott Shell's 1,700 petrol stations.

The intensity of the reaction has clearly surprised Shell executives. It has also worried other oil companies facing similar problems with ageing North Sea platforms.

In addition many in the oil industry say Shell's handling of the issue has been "disas-

trous". But how could a company as large and sophisticated as Shell have misread public opinion so badly?

Part of the problem may lie with the fact that the Brent Spar decision was taken in the UK, where the public reaction to the plan has been much more muted than in continental Europe, and where the government has fully supported Shell's course of action.

In addition Shell had some assurance that the plan had been reviewed by a large number of government agencies and interest groups, including environmental organisations.

Mr Andrew Searle of the UK Offshore Operators Association, the trade association for North Sea oil companies, says groups such as the Nature Conservancy Council and fishermen's organisations would have routinely reviewed

such a plan. So too would other sea users, including representatives from the merchant shipping industry and the UK ministry of defence.

In addition all abandonment plans have to conform with international agreements, which other North Sea states, including Germany, have signed, as Mr Tim Eggar, the UK energy minister, pointed out yesterday.

But industry officials have acknowledged that consultation with representative groups may not be enough. "In future there may be a need for wider public contact," said one executive.

In spite of its Dutch parentage Shell may even be excused for underestimating the continental, and especially German, response to the Brent Spar. "We couldn't believe the response," said Mr Jochen Vor-

felder, one of Greenpeace's main German co-ordinators. "These ordinary people said they wanted to do something."

Germany is one of the most environmentally conscious countries in the European Union. It has a history of legislation designed to combat pollution and encourage recycling. The car, paper, publishing and chemical industries have invested heavily in introducing environmentally friendly products.

One environmental analyst advising a large German company explained the reaction by saying: "Shell is trying to undo everything we have tried to do over the years. Huge efforts have been made by industry to persuade their customers to switch over to products which help protect the environment. Industry feels angry with Shell."



A policeman looks for evidence at the Shell petrol station in Hamburg set ablaze by protesters

Chechen crisis threatens to escalate

By Chrystia Freeland in Moscow

The political and human cost of the Chechen terrorist attack on the southern Russian city of Budennovsk threatened to escalate yesterday, as a senior Russian leader said force was the only solution to the hostage crisis and opposition leaders excoriated the government for its handling of the situation.

Gen Pavel Grachev, Russian minister of defence, told a press conference yesterday that the only way to save the lives of up to 2,000 hostages held by Chechen gunmen was to use force "as soon as possible".

"The terrorists understand they have nowhere to retreat and they will not surrender," Gen Grachev said.

The minister's bellicose comments

came against a mounting wave of political criticism of the Russian government's reaction to the crisis and the lax security which had allowed Chechen gunmen to mount an attack in Russia's southern heartland.

The Duma, the lower chamber of the Russian parliament, yesterday passed a non-binding resolution demanding that Russian president Boris Yeltsin immediately return from the G-7 summit meeting in Halifax.

The crisis in Budennovsk, where at least 67 people have been killed since the attack by Chechen rebels on Wednesday, appeared to unite Mr Yeltsin's democratic and communist opponents and could foreshadow fresh difficulties for the government next week when leaders of the parliament plan to discuss a vote of non-confidence.

"The events in the North Caucasus, especially the tragedy in Budennovsk, show vividly that federal powers are ineffective and are chronically unable to settle the protracted Chechen crisis," the Duma said in a statement accompanying yesterday's resolution.

One deputy suggested that the Russian government should be traded for the hostages held in a Budennovsk hospital, because it was to blame for provoking the crisis.

In Budennovsk itself, talks between Russian officials and gunmen led by Mr Shamil Basayev, one of the top Chechen field commanders, were at stalemate. Chechen leaders released to city authorities the bodies of 50 Russian civilians who had been killed during Wednesday's attack, but rejected Rus-

sian offers of money and safe passage out of the country in exchange for the hostages.

Mr Basayev, who allegedly acted without the backing of Mr Dzhokhar Dudaev, leader of Chechen separatists, is demanding a complete and immediate end to Russia's military intervention in Chechnya and political amnesty for the hostage takers.

Mr Basayev said he was prepared to blow up the hospital with the gunmen and their Russian captives inside if his demands were not met.

"It does not matter to us when we die, what matters is how we die. We must die with dignity," Mr Basayev told a news conference on Thursday. "If we have to, we will shoot the hos-

Finland aims to be among first to enter Emu

By Hugh Carnegie
in Stockholm

Finland's Social Democratic-led government yesterday said it intended to be among the first countries to enter the final stage of the European Union's planned economic and monetary union (Emu), involving the creation of a single currency.

"Emu will bring stability to the financial market and thus provide significant support to national economic policies, contributing to the use of national measures for promoting sustainable economic growth and improving the employment situation," the government said in a statement.

It was the first time the coalition administration, which includes the conservatives, environmentalists and former communists as well as the SDP, had taken a clear stance on the issue since it came to office in April. The government said the final decision on joining Emu would be taken by parliament - but it holds 145 out of the 200 seats.

It said it would back the initiation of the final stage of Emu by a limited number of EU states, but as many members as possible should participate. "Finland's aim is to be among the first countries to enter," it declared.

The coalition, led by Prime Minister Paavo Lipponen, said

it would produce a programme for meeting the EU's criteria for participation in Emu in parallel with its 1996 budget.

Finland, which joined the EU at the beginning of this year along with Austria and Sweden, is undergoing a powerful economic recovery after a three-year slump in the early 1990s during which the economy shrank by some 15 per cent and unemployment rose to nearly 20 per cent.

At present, Finland is set to meet the Emu criteria on low inflation, low interest rates and a stable currency. But its public debt lies above the target ceiling of 60 per cent of gross national product and is still growing; the budget deficit is also above Emu limits.

Lipponen: 'bringing stability'

Scientists condemn nuclear test plan

A group of French scientists yesterday condemned President Jacques Chirac's decision to resume nuclear testing and said they would leave their laboratories to protest in Paris next month, Renter reports from Paris.

The National Union of Scientific Researchers (SNCS) said the planned eight underground nuclear blasts in the south Pacific were unnecessary and would undermine world moves towards disarmament.

Mr Chirac's announcement on Tuesday has triggered outrage around the globe. The SNCS challenged Mr Chirac's assertion that competent civil and military experts were "unanimous" in saying France had to carry out the final tests at the Mururoa site to ensure the safety of its nuclear arsenal. The scientists say the same results can be achieved through computer simulation.

"By acting in this way, he makes the policies of France subservient to the narrow interests of nuclear weapons technicians and the military-industrial lobby," it said.

The SNCS said that about 10 per cent of an estimated 16,000 mainstream French scientists were SNCS members.

The scientists were planning to stage a demonstration in Paris on July 1. Mr Chirac said that after the tests were completed next May France would halt testing.

Virulent symptoms of social decay

The CIS is facing an epidemic of infectious diseases, reports Chrystia Freeland

A wave of infectious diseases, triggered by collapsing social infrastructure and a heat wave, is sweeping through the former Soviet Union.

For the first time since the second world war, cholera has been locally contracted by at least two Moscow residents, prompting city authorities to post police officers along a skin stretch of the Moskva river, which they say is infected with cholera bacteria.

The spread of infectious diseases is one of the most virulent symptoms of the social and economic deterioration which the former Soviet Union has experienced over the past four years, as the region has begun a transition from disciplined communism to more free-wheeling capitalism.

In what has become an annual summer event, declining health care standards, increasing poverty and a breakdown in government monitoring of water and food safety standards have sparked a rash of infectious diseases which have been all but

eradicated in the west. This week, the sense that the country risks slipping into anarchy has been felt with particular acuteness in Moscow, once the privileged headquarters of the Soviet elite.

In the past, when epidemics have spread through the region, native Muscovites have felt themselves to be immune, blaming outbreaks within city limits on visits by infected outsiders. But this week's cholera outbreak has been different. The two registered cases within Moscow have been traced to an infected stretch of the Moskva, the river which winds through the capital flowing past the Kremlin and the White House.

A heat wave has made the infected waters particularly dangerous, as Muscovites have sought relief from record temperatures by bathing at dozens of spots along the riverbank. But this week there were police officers among the bathers at Kapotnya, the Moskva beach thought to be the source of the cholera outbreak. City authorities, which have

launched a campaign of emergency measures to prevent the disease from spreading, have warned that nine other beaches are unsafe.

The most high-profile contagion in the former Soviet Union has been an outbreak of diphtheria among the separatist leaders of Crimea, the Russian-dominated peninsula in southern Ukraine. A week ago Mr Yuri Meshkov, president of Crimea until he was sacked by the Ukrainian government in March, was hospitalised with a severe case of the disease.

Mr Meshkov's illness has provoked panic among Crimea's political elite because local authorities fear the diphtheria bacteria is present somewhere in the main government

building in Simferopol, the regional capital. Since his unilateral dismissal by the Ukrainian government, Mr Meshkov has staged a physical protest, refusing to leave his fourth floor office suite for the past few months.

"The building of the Supreme Soviet of Crimea must be home to the infection, because we have not been able to find any other source for it," said Ms Yelena Morgunenko, a Crimean medical official.

Earlier this week, hundreds of Crimean lawmakers and government officials, fearing their posts made them prime targets for the disease, queued in the potentially infected parliament building to receive an emergency inoculation against

diphtheria. At least 148 people have contracted diphtheria in Crimea over the past five months, and four have already died from the disease.

In other parts of the former Soviet Union, the main problem is cholera. In addition to the outbreak in the Russian capital, cholera has been reported in two regions in southern Russia and several other former Soviet republics. The most severe outbreak is in the Mykolaiv region in southern Ukraine, where 71 have contracted the disease, carried in the local river, and at least one person has died. Three people have died from cholera in Tajikistan, and an outbreak has been reported in Baku, capital of Azerbaijan.

Secret service with a strong whiff of farce

David White on the recording of private mobile telephone calls by Spanish intelligence

What distinguishes Spain's secret service, as one commentator said this week, is that it turns out to be neither secret nor a service.

The disclosure that Spanish intelligence recorded dozens of private mobile telephone conversations over seven years, including one tape of King Juan Carlos, has not only rocked an already wobbly political boat. It has also shown up how difficult it is in Spain nowadays to keep anything confidential.

The daily El Mundo, which has the fastest-growing circulation among national newspapers, has made a speciality of publishing normally unobtainable documents such as personal bank transactions. Anyone with something to hide had better not have a bank account, go to meetings or above all use a mobile phone.

This week's reports, featuring a log of 93 tapes with names and descriptions, were its biggest coup since the so-called "Laos papers" in

March. The government had just announced the arrest in Bangkok of fugitive former Civil Guard chief Mr Luis Roldán, whom police had supposedly tracked down in northern Laos. The next day El Mundo had the Laos files dealing with the extradition.

It then transpired that these were fakes, that Mr Roldán was never in Laos at all. Who was tricking whom, or who supplied the bogus documents, is still a mystery.

The eavesdropping affair likewise has a strong whiff of farce to it - a pantomime in which characters from other celebrated affairs make guest appearances.

It has already cost Lt Gen Emilio Alonso Mangano his post as director-general of the Csid intelligence service, a job he was appointed to shortly after the army coup attempt in 1981. Mr Narcis Serra, the deputy premier and former defence minister who was responsible for Csid when the recordings were made, is under strong pressure from within the governing Socialist party to resign too. For Mr Felipe

Jose Maria Aznar, leader of Spain's centre-right Popular party, said he was prepared to call an immediate parliamentary election following the furore over unauthorised phone-tapping, writes David White. A censure motion, if passed, would automatically unseat Mr Felipe Gonzalez's minority Socialist government.

However, as the embattled cabinet met yesterday, senior government officials said they doubted if Mr Aznar could obtain enough support to justify such a move. Mr Jordi Pujol, the Catalan leader who has so far backed the government, said he wanted to help it carry out a "good" six months in the rotating EU presidency, which it takes over on July 1. But he described the phone-tapping controversy, in which Spain's intelligence chief resigned on Thursday, as "very, very serious".

Officials said they believed the disclosure of the tapes in the press were part of a deliberate attempt to undermine the administration. The government denied ordering the telephone recordings, admitted they were in breach of constitutional rights, and promised clarification. Mr Narcis Serra, deputy prime minister, whose job is under threat, is due to face parliament next week.

Gonzalez, the prime minister, it could not happen at a worse time just before Spain takes over the European Union presidency.

He must have a sense of déjà vu. Ten years ago, just before Spain was due to sign its accession treaty, there was a row over spying on conservative and communist politicians. The difference is that this time most of the

police and intelligence, which were not purged after the end of the Franco dictatorship. The defence ministry this week claimed that scanning mobile phones was technically not illegal until last year, but many legal experts have doubts. Spain's constitution safeguards "the secrecy of communications, especially postal, telegraphic and telephonic, except by judicial decision."

Among the unanswered questions are: Who ordered the tapes, or ordered them to be kept? Who leaked them? Where are they? Have they been used for blackmail?

Unlike the British "royal tapes" published in the press, there is no doubt about who made them. Whether they contain anything as fascinating as the "Squidgy" or "Camillagate" tapes remains to be seen.

The list of names ranges from King Hassan of Morocco to a US ambassador's wife, from newspaper editors to an Italian businessman talking "with his male pick-up". However, the first

transcriptions published by El Mundo were only mildly interesting exchanges between Socialist politicians.

Other newspapers have pointed the finger at a Csid colonel who left the service in 1991, date of the most recent tapes. El Pais published photographs of evidence of a meeting this week between him and Mr Mario Conde, the disgraced financier whom the Spanish authorities ousted 18 months ago from chairmanship of the Banesto banking group. Mr Conde, El Pais alleged, was trying to prove that the government had illegally investigated his affairs; and that Mr Narcis Serra commissioned a confidential report from the US-based Kroll Associates, using secret Csid funds. Confidential in the Spanish sense, that is, all 67 pages of it have appeared in the press.

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National Front seeks to consolidate gains

By David Buchanan and
Andrew Jack in Paris

The far-right National Front is poised to emerge from tomorrow's municipal elections with many more local councillors and outright control of a few sizeable cities and towns, thereby entrenching itself as a lasting feature of French political life.

The NF did well in key areas in the first round of polling on June 11. Its vote across the country's 36,000 communes averaged less than 5 per cent - a third of what its leader, Mr Jean-Marie Le Pen, scored in the first round of the presidential election. But NF candidates scored as much as 44 per

cent in Noyon, north of Paris, and 43 per cent in Vitrolles, north of Marseilles, and seem likely to win there tomorrow.

After the first round's thinning out of all candidates who scored less than 10 per cent, a partial attempt has been made to forge a common front against the NF. Some Socialist candidates who could have remained in the race have withdrawn to give a freer run to mainstream conservatives with a better chance of beating the NF.

But President Jacques Chirac's Gaullist RPR has been reluctant to stand down, while its government coalition partner, the centre-right UDF, has only struck a formal alliance

with the Socialists in Mulhouse, in southern Alsace. There, Mr Joseph Klifa of the UDF has deserted a right-wing Gaullist to join forces with Mr Jean-Marie Bockel, the sitting Socialist mayor, to help the latter try to beat off the challenge of the NF candidate who scored 30 per cent in the first round.

The far-right is well placed in the south, particularly in the resort city of Nice where Mr Jacques Peyrat recently shed his NF party label to give himself greater respectability, and in the port city of Toulon.

In his attempt to fight off a strong challenge from Mr Bruno Mégret, who ranks second only to Mr Le Pen in the

NF, the incumbent Socialist mayor of Vitrolles claimed that Eurocopter, the Franco-German helicopter maker, had said it would shut down production in nearby Marignane if Vitrolles fell to the NF. Eurocopter yesterday denied it had made this threat.

Elsewhere, tomorrow's election may see an exchange of assets between the left and the mainstream right. The latter hopes to capture Marseilles for the first time in more than 40 years, and to unseat the last big-city communist mayor in Le Havre in Normandy. Mr Valéry Giscard d'Estaing, the former president, may take Clermont Ferrand in central France from the Socialists.

while his former prime minister, Mr Raymond Barre, is expected to keep Lyons in conservative hands.

But recent scandals may give the Socialists gains in Grenoble, where Mr Alain Carignon, the former mayor and minister, is under investigation for corruption, and in some districts of Paris.

However, the NF's performance will be the most closely watched feature of tomorrow's elections.

"One can imagine the reverberations across Europe if several big French cities fall to the extreme right," Mr Jérôme Jaffré, head of the Sofres polling institute, wrote in Le Monde.

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Microsoft deal on anti-trust wins appeal

By Louise Kehoe
in San Francisco

Microsoft's anti-trust settlement with the US justice department, stemming from a complaint about the software company's licensing practices, has been approved by the US appeal court in Washington.

The court yesterday overturned a lower court decision against the settlement, which requires Microsoft to change the terms under which it licenses software to personal computer manufacturers.

In February, federal district judge Stanley Sporkin had rejected the settlement, complaining that it was too narrow and failed to address several allegations of unfair business practices raised by Microsoft critics.

Judge Sporkin, a former head of enforcement at the Securities and Exchange Commission, was openly critical of the justice department's handling of the case against Microsoft.

However, the appeal court ruled: "The proposed consent decree is in the public interest, and the district court exceeded its authority in concluding to the contrary."

The appeal court also ordered the case to go to another judge.

This decision resolves the department's charges that Microsoft had used its dominant position in the market for software operating personal computers so as to force PC manufacturers to accept anti-competitive licensing terms.

The ruling favours Microsoft because it removes concerns that the company might have been forced to go to trial to

defend itself against the department's charges.

This may not, however, be the end of Microsoft's problems with anti-trust regulators. Last week, the company acknowledged that it has received demands from the department for information related to its plans to launch a new on-line information service, called the Microsoft Network.

Departmental officials are believed to be close to a decision on whether to file a new complaint against Microsoft. In Brussels, a spokesman for European anti-trust regulators said that US justice department officials will be conferring with their European counterparts on the new investigation.

EU anti-trust authorities had previously joined the justice department in its investigation of Microsoft's licensing practices and had reached an almost identical settlement with the company last year.

Microsoft's share price rose sharply on news of the appeal court decision, to trade at \$87 in mid-session yesterday in New York, up from the Thursday close of \$84.

The Microsoft Network investigation comes on the heels of a justice department lawsuit to block Microsoft's \$2bn acquisition of Intuit, the leading maker of personal finance software. Microsoft dropped its acquisition plans rather than risk long legal proceedings.

Microsoft said it was "very pleased" with the appeal court decision. The company had admitted no wrongdoing in the settlement agreement.

Hopes of breast implant accord dim over cash

By Richard Waters
in New York

The prospects for the \$425bn global settlement of breast implant cases were dimmed yesterday when it emerged that there is a severe shortage of cash to meet compensation payments.

Under the negotiated agreement, which was approved by a US court last year, women would be compensated for illnesses they claim to have suffered due to leaking silicone implants.

However, the large number of claims lodged threatens to overwhelm the fund, forcing payments to be reduced from the original level indicated.

In a statement released yesterday, the administrator to the fund said that initial payments, made out of a \$1.2bn sub-fund, would be only 5 to 16

per cent of the amount expected as recently as last autumn.

The shortfall is greater than had been anticipated and this reduces the likelihood that implant manufacturers and claimants' lawyers will be able to reach a compromise acceptable to both sides.

If the deal collapses, the manufacturers will face a mass of individual actions in US courts over product liability.

Dow Corning, the biggest manufacturer of the implants, which filed for bankruptcy last month, has said that it will not increase its \$2bn contribution to the settlement.

Bristol-Myers Squibb, the second biggest contributor with \$1.15bn, said yesterday that it was continuing to negotiate, but that it would not "simply add more money to cover claims which have no medical basis".

Frei to 'oversee' case of two officers

Tension rises in Chile over army

By Imogen Mark in Santiago

The intensifying constitutional crisis in Chile has forced President Eduardo Frei to cancel plans to attend a meeting of Latin American heads of state in Brazil tomorrow.

Press reports said Mr Frei wanted to stay in Santiago to oversee the implementation of prison sentences on two senior officers convicted of the murder in Washington of Mr Orlando Letelier, a former Socialist minister, in 1976.

Retired General Manuel Contreras, former chief of the secret police, who has been sentenced to six years in jail, is in a naval hospital at Talcahuano, southern Chile, where he was flown by the army on Tuesday without government approval. A medical report claimed that he was suffering from high blood pressure, brought on by stress.

Although both he and Colonel Pedro Espinosa, his deputy, have been formally notified of their sentences, warrants for their arrest have not yet been served. An attempt to present them on Thursday was thwarted.

Tension rose in Chile on Thursday after Gen Augusto Pinochet, army commander and former dictator, had challenged the authority of the Supreme Court to sentence the two men. Gen Pinochet said the trial of the two had been "unjust" and was tainted by political considerations.

The government has not reacted officially to the gener-



Pinochet: Trial "unjust"

al's remarks, but leaders of the Party for Democracy, a member of the coalition government, said it was considering charging him with infringing the constitution.

On Wednesday, Mr Gabriel Guerra Mondragon, US ambassador to Chile, had warned: "A democratic regime is a prerequisite for entry to Nafta". Chile is seeking to join the North American trade agreement.

On the same day, the Chilean finance and foreign ministers warned that the army's attitude towards the Contreras sentence could harm Chile's image abroad and affect investor confidence.

However, local brokers say there has been no apparent stock market reaction to the crisis and only mild concern by foreign investors.

EU 'should have wider crime role'

The US wants the European Commission to be accorded a greater role in international efforts to combat organised crime and the narcotics trade, reports Jurek Martin in Washington.

Mr Stuart Eizenstat, US ambassador to the European Union, yesterday said that a senior US administration official had been misquoted this week when seeming to doubt the effectiveness of a wider role for the Commission.

The ambassador emphasised that the US was disappointed in the co-operation offered to date by national interior ministries in Europe on what are known as the third pillar aspects of closer EU integration, which cover international crime.

"If the Commission had been given more responsibility to initiate suggestions and recommendations," he said, "we would have received more co-operation than we have." In general, the failure to make progress on third pillar subjects had been "one of the biggest disappointments" of the Maastricht treaty, he added.

The summit of the US, the EU and France (in its capacity as EU president) this week in Washington had yielded, said Mr Eizenstat, "a major accomplishment" - the creation of a senior level group to report to the Barcelona summit in November on ways to move the transatlantic relationship forward into the 21st century.

Downed dove may signal new war

Stephen Fidler finds Colombia carrying on business after the latest Medellín bomb

A bloody message was delivered to the people and government of Colombia a week ago today. A bomb in a public square in the city of Medellín killed at least 27 people and injured 200 more. Even in Medellín, injured to violence, the explosion came as a shock.

The bomb was put under a bronze sculpture in the Parque de San Antonio, a newly paved square in the centre of the city. When it exploded, some 1,500 people were celebrating a festival. An hour or two earlier, 5,000 people had been there.

The meaning remains unclear, but the bomb's symbolism was not lost on Colombians. The statue, by the Colombian sculptor Fernando Botero, was of the dove of peace. The dove appears to have crashed on its plinth, whose steel bars of reinforced concrete were exposed by the explosion.

Botero says he will not repair the sculpture, one of three in the square, but will leave it as a symbol of the country's shame. His son is defence minister, and might become a presidential candidate.

The explosion came as the government was celebrating the arrest of the supposed kingpin of the Cali cartel, Mr Gilberto Rodríguez Orejuela.

According to the US Drug Enforcement Administration, he was responsible for 80 per cent of the cocaine that enters the US.

The bombing was followed by other explosions in Medellín, and the murder of important law officials. On Thursday night, 10 kilograms of dynamite exploded in the national



A soldier attracts youthful spectators before a drug raid in Medellín. Picture: Reuters

Congress building in the heart of Bogotá, causing damage but no deaths or injuries.

For Medellín, the bomb ended 15 months of freedom from terrorism, which had begun with the shooting by government agents of the head of the Medellín drug cartel, Pablo Escobar, in December 1989. But freedom from terrorism is not the same as freedom from violence; Escobar's demise did not stop violence in the city.

As many people as perished in the bomb in the Parque de San Antonio a week ago as die in a typical night of dreary violence in the city. Most of that violence stems from the slums that rise from the valley in which the city centre sits.

The government's writ barely

extends into these *comunas*, where a cycle of poverty, family violence, drugs and guns is the main legacy of one generation to another. These are the breeding grounds for Medellín's so-called popular militias, which sometimes operate as assassins in the pay of drug traffickers.

Having turned a blind eye to the militias for years, the city government has now given some of them uniforms and they are acting as a semi-official second police force.

But this is not Medellín's only face. The city, Colombia's second largest after Bogotá, with a population of more than 2.5m, boasts dynamic industry, urban highways, skyscrapers and a conference and exhibition centre which can accommodate some 20,000 visitors.

"We're not saying that violence has disappeared, because it hasn't," says Mr Alvaro Uribe Velez, governor of the department of Antioquia, of which Medellín is the capital. "We are not seeking a cosmetic image, but a more balanced one."

The textile, garment assembly and other industries of Medellín are responsible for more than a fifth of Colombia's industrial production. Garments from the city's factories are sent around the world carrying brand names such as Oscar de la Renta.

It is also one of the most advanced medical centres in Latin America. A long history of medical practice - the oldest of its three medical faculties celebrates its 300th anniversary next year - combines with modern day violence to give the city a comparative advantage in the treatment of trauma and in organ transplants.

The city even has tourists. Mr Luis Bernardo Duque of its tourism authority says some 40,000 tourists, as officially defined, visit each year, many to use medical and conference facilities. Mr Duque acknowledges the difficulties caused by the terror bombings of the Escobar years, which he describes euphemistically as "the recession in the security situation".

What many in Medellín and elsewhere in Colombia now fear is that that "recession" is returning to the country's other cities. "The question," said Mr Enrique Santos Calderon, a journalist writing in the country's biggest selling newspaper, *El Tiempo*, "is whether we are in the waiting room of a new drug war."

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NEWS: INTERNATIONAL

G7 leaders confident of growth outlook

By Peter Norman
in Halifax, Nova Scotia

The Group of Seven leading industrialised countries see no danger that the slowdown in some of the world's big economies poses a threat to sustained economic growth. Mr Günter Rexrodt, the German economics minister, said yesterday that G7 finance ministers, at a meeting on Thursday night, had agreed that the outlook was for robust growth in most countries.

However, Mr Yves Thibault de Silguy, the European Union's commissioner for economic and monetary affairs, said after the same meeting

that the European ministers from Germany, France, Britain and Italy were generally more optimistic about growth than those from the US and Canada. Japan took the view that it could solve its economic problems after the adoption in April of budgetary measures and the reduction that month of the discount rate to 1 per cent. The US and Canada saw their economies heading for a soft landing in spite of sharp slowdowns in growth in the first quarter of this year.

Debate over the world economy was taken further yesterday by the G7 heads of government in what UK officials called a "rich and substantial" discussion.

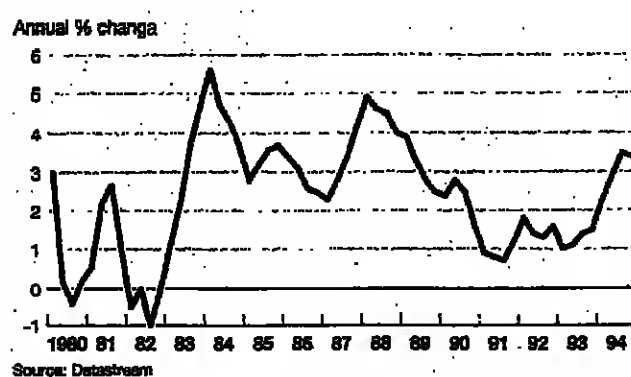
Mr John Major, the UK prime minister, and Mr Jacques Chirac, the French president, focused on the need to reduce unemployment from its

current level of 22.8m in the G7 countries. Mr Major underlined the importance of structural policies, including greater flexibility in labour markets and the creation of incentives to get people back to work.

Mr Chirac said that jobs were the "beginning and end of policy". The jobs question, which jumped up the summit's list of priorities at the insistence of the French president, will be taken further at a special G7 conference on employment issues to be attended by finance and labour ministers and held in France in the first quarter of next year.

The finance ministers and leaders acknowledged that currency turbulence such as this year's sharp rise in the value of the D-Mark and the yen which followed the Mexican financial crisis could adversely affect growth and jobs.

G7 real GDP growth



Mr Chirac described speculation as the "Aids" of the global economy. But there appeared to be no appetite for "quick fix" measures to deal specifically with currencies that "overshoot" on foreign exchange markets. Instead, the

finance ministers reaffirmed their statement of April in which they agreed that exchange rate movements had gone beyond levels justified by underlying economic conditions and that an "orderly reversal" of this year's sharp

gains of the yen and the D-Mark was desirable.

In their separate meetings, the G7 leaders and their finance ministers focused on medium term policies as a way of securing sustained growth as well as eventually curbing turbulence on financial markets.

According to Mr de Silguy, the finance ministers' meeting agreed on the need to reduce budget deficits and control inflation.

Earlier, however, European finance ministers criticised the size of the US budget deficit and the large claim that this represented on the world pool of savings.

However, Mr Robert Rubin, the US treasury secretary, said the US deficit was the smallest in terms of percentage of gross domestic product of any G7 country.

WTO to work more closely with the IMF

By Frances Williams in Geneva

The World Trade Organisation, the World Bank and the International Monetary Fund have agreed to work more closely on global economic and trade policy issues and to anchor co-operation in a formal accord.

Areas of co-operation envisaged include policy advice to borrower countries, help for economic adjustment to trade liberalisation and global economic analysis and policy-making.

The WTO is also planning to launch a big initiative with the IMF and World Bank to help boost the trade of sub-Saharan Africa. Mr David Woods, WTO spokesman, said yesterday that all three agencies were agreed that Africa had missed out on many of the benefits of trade liberalisation.

The WTO's activities on Africa will be run mainly through the Geneva-based International Trade Centre which it funds jointly with the United Nations Conference on Trade and Development.

The decision to improve co-ordination between the three agencies follows meetings this week in Washington between Mr Renato Ruggiero, WTO director general, and his IMF and World Bank counterparts, Mr Michel Camdessus and Mr James Wolfensohn.

Under the terms of the Uruguay Round trade agreements, the WTO is specifically charged with pursuing co-operation with the two Bretton

Woods institutions "with a view to achieving greater coherence in global economic policymaking".

Mr Peter Sutherland, former GATT chief, had hoped that this mandate might extend to the provision of a joint secretariat for a new and more representative international economic forum to replace the G7.

However, the WTO has not been given the resources by its members to expand its analytic and policy functions, a source of frequent complaint by Mr Sutherland and now Mr Ruggiero. Mr Woods said yesterday that one fruit of closer co-operation with the IMF and World Bank might be the use of their policy analysts to work on trade issues.

The details of the co-ordination arrangements are due to be thrashed out later this year. However, Mr Woods said that measures under discussion included:

- More frequent meetings between the WTO, IMF and World Bank chiefs.
- More contact between the three secretariats.
- Observer status for the three on each other's key policymaking bodies.
- An "early warning system" alerting the other organisations to potential problems, for instance on looming balance of payments difficulties.
- Establishment of a WTO liaison office in Washington.

The WTO will also begin negotiations next month on co-operation with the United Nations.



Hand signals: British prime minister John Major (left) and Canadian leader Jean Chrétien arrive for the first meeting yesterday

US threat of sanctions hits output at Japanese car maker

By Michio Nakamoto in Tokyo

Mazda is to cut production next month and halt exports of luxury cars to the US in response to falling sales there as the deadline for US sanctions approaches.

The Japanese car maker will stop making cars at two factories for four to six days in an effort to reduce high inventory levels in the US. As a result, the company will make 18,000 fewer cars in July than planned.

The reduction follows a 22.5 per cent cut in output in April, May and June because of too-high stock levels and the uncertain sales climate for the company before the deadline for US sanctions against Japanese luxury cars on June 28.

Mazda will continue to refrain from exporting its two luxury models which are on the list of Japanese luxury cars targeted for 100 per cent punitive tariffs by the US government unless a deal on opening Japan's markets for cars and car parts is reached by the deadline. Other Japanese makers of luxury cars targeted by the sanctions have also cut production and halted exports.

Mazda's decision comes as Japanese business leaders expressed disappointment over the failure of Japan's prime minister Tomiichi Murayama and President Bill Clinton to resolve the car dispute at their meeting in Halifax on Thursday.

Mr Kosaku Inaba, chairman of the Japan Chamber of Commerce and Industry, yesterday said it was regrettable that the two leaders did not go into details of the car talks and put off substantive discussions.

Although Japanese business leaders have supported the government's stance, there is an underlying feeling that companies outside the car industry are being penalised by the high yen due to the bilateral trade friction over the car issue.

Meanwhile, Japan's transport minister, Mr Shizuka Kamel, proposed yesterday that the US and Japan discuss their aviation dispute in Geneva next week in parallel with the vice-ministerial nego-

tiations planned there on June 22 and 23.

In addition to US sanctions over the car dispute, Japan faces the prospect of US sanctions over the issue of whether US cargo services should be allowed to open several new routes from Japan.

The US has accused Japan of breaching the countries' bilateral aviation accord, which gives US carriers the right to fly to third destinations from Japan, by refusing to allow Federal Express to start 11 new cargo routes to other parts of Asia via Japan.

The Japanese side has argued that the bilateral accord does not reflect current aviation needs and should be reviewed.

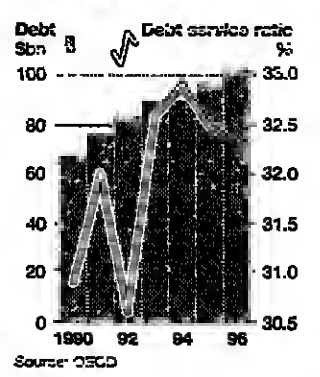
Indonesia warned to clarify bidding procedures

By Manuela Saragosa in Jakarta

Indonesia must establish a clear competitive regulatory framework for private sector bids for infrastructure projects, to show international lenders that borrowings are being put to efficient use, according to the World Bank.

In its 1995 report on the country, "Improving efficiency and equity - changes in the public sector's role", the bank notes that, in the wake of the Mexico crisis, international investors are increasingly concerned not only with the volume of countries' external borrowings but also with how effectively those borrowings are used.

Indonesia



Indonesia has an estimated foreign debt of \$160bn (\$83.6bn) and ranks as one of the developing world's largest debtors.

The World Bank estimates the country's debt service ratio now exceeds 30 per cent. It notes that higher infrastructure spending over the next five years and the financing of other large projects will increase private external debt.

To face this challenge the Jakarta government must improve efficiency and equity, by among other things, establishing a framework to maximise the benefits of private finance by using clear bidding procedures and selecting the bidder "offering the highest payment to, or lowest cost to, the government".

This would "reduce post-contract renegotiations and charges of favouritism, and increase international interest;

it would also yield direct benefits to the consumer and assure international markets that borrowing is being used efficiently".

Although the World Bank does not cite specific cases, its report makes veiled references to a number of contracts which have been awarded to members of the presidential family without an open tender process.

In its most strongly worded advice, the World Bank warns that "perceptions of unfair dealing and favouritism can threaten the privatisation process and even reform in general".

Despite a cautionary tone, the World Bank commended Indonesia on its most recent

trade deregulation package, which included across-the-board tariff cuts of at least 5 per cent on more than 6,000 products and set out a tariff reduction schedule for the next eight years.

It said the package would improve the efficiency of foreign borrowings "by helping to ensure that private investment goes into more internationally competitive activities". It would also promote growth in non-oil exports, which is necessary to finance debt repayment.

Improving efficiency is as important as further deregulation, according to the report, which says that Indonesia's recent rapid economic growth, averaging about 7 per cent a

year, is showing signs of overheating.

Inflation was nearly 10 per cent for the second consecutive year last year. And while this year's budget policies were cautious, the budget "appears to be somewhat less contractionary" because of increased personnel spending, the bank said.

This has augmented the need to improve transparency in the government's tendering process to minimise rises in infrastructure spending and foreign and domestic investment.

"Greater efficiency will be critical to generating the non-oil export growth needed to achieve broad-based growth and reduce the debt burden," the World Bank report said.

Fearing is believing among jittery Japanese

Emiko Terazono on how earthquake anxiety can get out of hand

Following warnings by local authorities, residents of Hokkaido, the northern island of Japan, braced themselves for a large earthquake. It never happened.

"It was all a bit silly now that we look back on it," says a sheepish Mr Norio Konno, the mayor of Rusutsu, a small village in southern Hokkaido. It was a case of Chinese Whispers on an official scale. Mr Konno, who notified village residents through loudspeakers, had been warned by the Hokkaido municipal government that it had received information from the central government that an earthquake of seven on the Richter scale would hit the island on Wednesday two weeks ago.

The Hokkaido government had heard from the Fire Defence Agency, which was notified by the Science and Technology Agency which was

told by the National Land Agency. The National Land Agency in turn says it obtained the details from the foreign ministry which had referred to earthquake predictions from Chinese seismologist sources.

"We just passed it on as information to be kept within the various disaster prevention divisions," says the Fire Defence Agency, while the Hokkaido government says it thought it was "eerie" but sent the information off to its branches for the record.

Somewhere along the chain, warnings that the information was classified and that Japanese seismologists thought the predictions groundless were lost. The news, meanwhile, quickly spread within Hokkaido as Rusutsu villagers told friends and relatives in other areas of the island, triggering a wave of panicked phone calls to the

meteorological agency.

While the incident has embarrassed various government agencies, it highlighted the sense of apprehension among the Japanese towards natural disaster which has heightened since the Kobe earthquake in January. Fears have intensified following last month's earthquake in Neftegorsk on the Russian island of Sakhalin, north of Hokkaido, which has killed 1,500, while small tremors have also shaken the northern Japanese island itself in recent weeks.

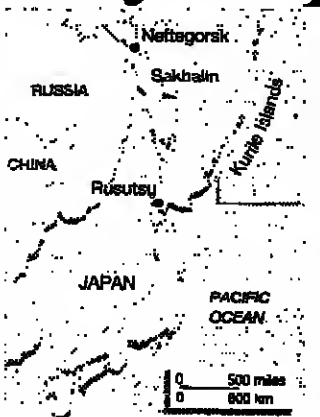
Along with shocking pictures of the devastation in Neftegorsk, widely read weeklies have quoted seismologists suggesting that plate tectonics theories point to further movements of the North American plate, which runs under the island of Sakhalin and through the

middle of Japan's main island of Honshu.

Aside from further damaging the market for apartments built before anti-earthquake building laws were put in place in the 1970s, worries over the "Big One" hitting Tokyo have raised questions over crisis management among government officials and corporate managers.

Seminars by crisis management consultants are being held around Tokyo, with fliers asking corporations "What might be the financial and human losses because you did not prepare adequately?" A recent report by Asahi Bank, indicating that 70 per cent of its corporate clients surveyed were unprepared for a large-scale natural disaster, suggested that such courses were in need.

"The Kobe earthquake raised questions over the need to limit damage as soon as



possible," says the report. Only 5.7 per cent of the companies were prepared for a large earthquake and Asahi points out that although corporate managers are aware of the risks, the level of actual crisis management measures implemented is very low.

Politicians have also reacted to the mood. Criticism over the slow response by the government following the Kobe

earthquake has prompted political candidates to hastily include "strengthening of earthquake measures" on their campaign promises.

A group of politicians calling themselves "Parliamentarians to Protect Japan from Earthquakes" put forward disaster prevention legislation which passed the upper house of the parliament yesterday. The law permits defence force members to control traffic in a natural disaster, and calls for the strengthening of earthquake prediction techniques.

Meanwhile, of the recent earthquake scare, Hokkaido residents were more relieved than angry. Mr Konno, the Rusutsu mayor, says that the village never considered itself earthquake prone and that the scramble following the official warning had raised the awareness among residents. "In the two years I've been mayor, it was the first time that people thanked me," he claims.

INTERNATIONAL NEWS DIGEST

Australian tax rise blocked

Australia's federal government suffered a setback yesterday when one of the minor parties in the Senate, parliament's upper house, said that it would join with the coalition opposition to block tax increases of about A\$1bn (\$450m) over the next four years.

In its May budget, the government announced plans to apply a 12 per cent wholesale sales tax to builders' hardware and certain building materials, and said this would raise around A\$315m in 1995/6. However, the Australian Democrats said yesterday they would oppose this. This means the measure will almost certainly fail to pass in the Senate, where the government does not have a majority. The Democrats have pledged to support the government budget's "bottom line", and said yesterday this was the only significant item in the financial package which they intended to oppose.

Nevertheless, they earned the wrath of Mr Ralph Willis, Australia's treasurer, who described the move as "populist and opportunistic".

Nicki Tait, Sydney

More chemical jobs to go

The chemical industry will shed 2.5 per cent of its workforce in western Europe this year, despite output growth of 4 per cent, according to the European Chemical Industry Council.

The industry association yesterday forecast a slowdown in European demand for chemicals as manufacturers completed the rebuilding of their stock levels. It also pointed to the effect of the weak dollar and slower growth in the US on export sales, which were the main engine for growth last year, when output rose by 8 per cent.

These factors would limit price increases from chemical producers, it predicted, although chemicals producer prices were still forecast to rise by 6 per cent this year, compared with 2.6 per cent last year, and zero growth for the four previous years.

A significant recovery in the industry's profitability since the beginning of last year, however, had boosted investment levels, which were forecast to rise by 7.5 per cent this year, after four consecutive years of decline.

Profitability would also continue to benefit from productivity gains, the council said, thanks to technical improvements, restructuring and "drastic cuts in the labour force". The industry cut its workforce by 4 per cent in 1994.

Jenny Luesby, London

Iraq denies army revolt

Iraq yesterday ridiculed US reports that Iraqi military units had exchanged fire near Baghdad and said an officer named as the mutiny leader was not even in the armed forces.

Responding to a US statement that units of President Saddam Hussein's elite Republican Guard clashed near Baghdad on Wednesday but the mutiny was put down, Al-Thawra newspaper said: "This statement reflects impetuous wishes rather than reality".

The paper of the ruling Baath party, quoting the official Iraqi News Agency (INA), said reports of fighting between Iraqi army units were "lies" circulated by western media. The US defence department said on Thursday that clashes involving units of President Saddam's elite Republican Guard took place near Baghdad but the mutiny was apparently put down.

Reuter, Baghdad

US threat to ILO funding

The budget committee of the International Labour Organisation, which is threatened with big funding cuts by the US, has approved a no-growth budget of \$579.5m (\$369.1m) for 1996 and 1997. The US, which provides a quarter of ILO funds, voted against the budget.

Under US law, if Washington opposes the budget of any UN organisation it can cut its assessed contribution by 20 per cent. The administration, facing calls in the Senate for the US to cease funding the ILO, has already warned there will be a substantial shortfall in its contribution this year.

The 1996-97 ILO budget broadly compensates for inflation but not for the sharp fall in the dollar against the Swiss franc in which the ILO incurs most of its costs. The ILO's governing body is due to meet at the end of next week to consider a further cost-cutting exercise to cope with this year's expected deficit and a drop in US payments.

Frances Williams, Geneva

Spanish growth 'on track'

Spain is on track to meet its 1995 growth target of 3 per cent "or slightly more", Bank of Spain governor Mr Luis Angel Rojo said yesterday. Presenting the bank's annual report, he warned against any delay in cutting the budget deficit, a precondition for lowering inflation and promoting sustained growth. The bank meanwhile announced a Ptas45bn (\$231m) surplus on Spain's balance of payments current account in the first four months, against a Ptas282bn deficit in the same period last year. This was in spite of a 29 per cent increase in the trade deficit.

David White, Madrid

Six years for pyramid fraudster

A Romanian court yesterday convicted of fraud Mr Ion Stoica, head of Caritas, the country's largest pyramid scheme, and sentenced him to six years in jail. A court in Cluj, where Caritas, which attracted around \$1bn (\$629m) in deposits, was based, found Mr Stoica guilty of fraud over Lei90m (\$28,950) in payments due to local authorities. The scheme, which became a national craze, collapsed last year, wiping out the savings of many of the 4m Romanians who had invested in it. In the heyday it gave investors an eight-fold return on deposits. Mr Stoica has been held in a Bucharest jail since being arrested last autumn.

Virginia Marsh, Budapest

GM 'eyeing N Korea plant'

General Motors wants to build a car parts plant in North Korea's Rajin-Sonbong free economic and trade zone, Pyongyang's official news agency said yesterday.

During a visit to the communist state last month, Mr Charles Randolph, vice-president of General Motors' Asian and Pacific operations, "expressed great satisfaction at the favourable geographical conditions", the agency said. It did not say whether North Korea would allow the US car maker to build such a plant. In recent years Pyongyang has cautiously taken steps to attract foreign investment and expand its trade ties with the west.

Reuter, Tokyo

SAS settles pilots pay dispute

A long-running pay dispute with pilots which halted Scandinavian Airlines System (SAS) flights for three days last week was settled yesterday. The Danish, Norwegian and Swedish pilots' unions agreed to a one-year pay increase of 3.96 per cent. They had demanded almost 7 per cent, but the highly paid pilots failed to win public support at the start of the summer holiday season. SAS was also under pressure, especially from corporate customers, to end the disruption. The final settlement was well above SAS's original 1 per cent offer.

Hugh Carnegie, Stockholm

World Bank loan for Hungary

The World Bank has approved a three-year lending strategy for Hungary which could release as much as \$1.8bn (\$817m) in funding, the country's central bank said yesterday.

World Bank officials said the bank hoped it would reach agreement with the Hungarian authorities for projects in infrastructure, financial and public sector reform, education and environment protection between 1996 and 1998. The approval of the strategy is a boost for Hungary's Socialist-led government which is trying to improve its image with foreign investors after a difficult first year in office.

Some of the World Bank lending is linked to a successful conclusion to talks which began this week with the International Monetary Fund on a long-awaited stand-by arrangement.

Virginia Marsh, Budapest

SELA 4720

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Deutsche Telekom now a stock corporation.

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Yorks Elec chief pay rises 21%

By David Lascelles,
Resources Editor

Mr Malcolm Chatwin, the chief executive of Yorkshire Electricity, received a pay boost of 20.5 per cent last year under a new executive pay scheme which links a part of remuneration to company performance. But he may not get all of that if Yorkshire does poorly over four years.

The company said the increase came in a year when profits rose 45.6 per cent - though this included exceptional items that disclosed an underlying rise of 5 per cent. In cash terms, it said, Mr Chatwin received an increase of 2.9 per cent.

Yorkshire yesterday became the first regional electricity company to disclose

details of its new executive pay scheme which does away with discretionary bonuses and share options.

Cash bonuses will be paid to directors if Yorkshire's earnings per share show real growth over the previous year, but will be capped at a maximum of 20 per cent of base salary. Money is also set aside to buy shares for directors, but these are only awarded after four years, based on Yorkshire's performance compared to other RECs.

Mr Chris Hampson, Yorkshire's chairman, said: "Directors will now be rewarded, beyond basic salary, only after shareholders have received increased benefits."

In the 1994-95 period, Mr Chatwin

received a total of £316,900, up from £262,900 the year before. This includes a basic salary of £190,000 plus pensions, benefits and incentives. However £38,000 of the remuneration is a provision for the share incentive scheme which will only be paid if performance criteria are met in 1998.

Both the cash bonus and the provision for the incentive scheme awarded to Mr Chatwin were the maximum permitted under the new arrangements.

Mr Chatwin said yesterday a recent survey had shown he was only the 31st highest paid businessman in Yorkshire, even though he ran its largest company.

The base pay increase for all Yorkshire Electricity staff last year was 2.2 per cent.

Kleinwort top job changes unlikely

By Nicholas Denton

Dresdner Bank of Germany is prepared to leave the top management of Kleinwort Benson largely untouched if the UK investment bank accepts its offer of about £966m.

Lord Rockley, Kleinwort's chairman, is expected to remain, as is Mr Simon Robertson, deputy chairman and leader of the Kleinwort team negotiating with Dresdner.

Kleinwort and Dresdner have indicated that they will not follow the example of the takeovers of Barings and S.G. Warburg, the two UK investment banks bought by continental European banks this year.

Dresdner is not seeking to impose control in the manner of Swiss Bank Corporation, which brought over Mr Marcel Oesper to be chief executive of SBC Warburg, or Internationale Nederlanden Groep, which inserted Mr Haskin Lindenberg as chief executive of Barings.

Both sides in the current deal talks are heavily influenced by Deutsche Bank's gradual takeover of UK investment bank Morgan Grenfell, where Mr John Craven has remained chairman since the initial deal in 1989.

There are discussions too on a package of financial incentives like that enjoyed by Morgan Grenfell executives. The scheme would replace Kleinwort Benson's existing bonus arrangements, encourage key staff to remain with the new entity and thus preserve the value of a business whose main assets are mobile people.

Another key issue is the Kleinwort Benson name. Dresdner is believed to be sensitive to the need to preserve the Kleinwort Benson identity, at the very least in markets such as the UK where it commands strong recognition from clients.

The talks, and Dresdner's due diligence investigation of Kleinwort's accounts, appear to be proceeding smoothly and negotiators believe they are in a position to agree detailed terms next week.

Kleinwort's share price closed at 71.5p, down 6p, indicating a belief among investors that the deal will take place close to the indicated price of about 72.5p per share.

Refinancing bonuses at Wembley

By Tim Burt

Two directors of Wembley have been paid combined bonuses of more than £100,000 for their role in securing a £130m refinancing for the stadium and greyhound track operator.

Mr Alan Coppin, chief executive, saw his total pay and benefits package increase by 58 per cent to £205,000 following completion of the rescue package, which cut borrowings from £141.3m to £72.4m.

The increase included a £65,500 bonus which, the company said, reflected "the effort required to ensure the successful resolution of the group's refinancing".

It gave a £45,000 bonus to Mr Nigel Potter, finance director, whose total pay rose to £160,000 (£105,000).

Wembley warned that it might have been forced into a controlled receivership had it failed to win support for a £52.5m rights issue and £52.7m debt-for-equity swap.

Its annual report also showed that Sir Brian Wolfson, deputy chairman, is a director of several companies that enjoy supply contracts with Wembley. Sir Brian, who resigned as chairman following the refinancing, is a director of Fruit of the Loom, which provides T-shirts to the group, of catering suppliers MLC Holdings, Baxters Hoare Travel and Antelope Corporation, the betting systems company.

T&N faces setback in bid for German piston maker

By Tim Burt in London and
Judy Dempsey in Berlin



Colin Hope: deal has support from big motor manufacturers

T&N, the motor components and engineering group, was yesterday warned that its £125m takeover bid for Kolbenschmidt, one of Germany's leading piston manufacturers, was anti-competitive and likely to be rejected by the country's cartel office.

The takeover authorities, which in February issued a similar warning, said in a preliminary ruling that the proposed deal would give the UK group an unfair dominance in the components market.

A final ruling is expected in mid-July and T&N has until July 13 to respond to yesterday's ruling.

Cartel officials are concerned that the acquisition would strengthen the grip of Goetze & the German piston ring manufacturer acquired by T&N for £125m in 1983.

"In the market for piston rings, the merger would increase the already existing dominant position of T&N," it said.

"We're certainly not giving up. We still want to buy the company," said Mr Colin Hope, chairman.

He claimed the proposed deal had won support from all the big motor manufacturers, including Mercedes Benz, BMW and Ford, and warned that T&N would step up its component operations in Germany even if it was forced to abandon the Kolbenschmidt bid.

"Those companies prefer to deal with a few big suppliers and we have a number of options to achieve that aim."

That strategy has been a central plank of T&N's effort to expand away from its former role as Britain's largest asbestos producer, when it was known as Turner & Newall.

Some City analysts, however, have criticised the proposed takeover - arguing that it would put pressure on T&N's balance sheet by lifting gearing to an estimated 90 per cent.

"It's not a viable move, and it may be a blessing in disguise if it is rejected," said one.

Kolbenschmidt said the cartel office's decision confirmed its view that the offer by T&N would not be permitted.

Mr Hope said T&N would hold talks with the cartel authorities, at which it hoped to change its mind.

Shares in the UK company closed down 4p at 166p.

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Exceptionals boost profits rise

Yorkshire Electricity, the regional power company which has been seen as a potential takeover target, boosted pre-tax profits by 45.6 per cent last year. But the strong result was exaggerated by exceptional items: the underlying improvement was closer to 5 per cent, writes David Lascelles.

In the year ending March 31, profits amounted to £217m (£149m). This included £17m in compensation for Sweden's cancellation of an investment in Stockholm Energi, offset by £8.7m of rationalisation costs.

The previous year was depressed by £43.5m of provisions for redundancies resulting from the cost-saving programme.

Profits growth was helped by a small increase in turnover, and a reduction of 19 per cent in controllable costs. The electricity supply business moved ahead strongly with a 56 per cent increase in operating profit, and distribution earned 28 per cent more.

There was a growing contribution from power generation. The final dividend is 21.4p, bringing the total for the year to 39.42p. This is not comparable to the previous year because Yorkshire consolidated its outstanding shares during the year.

But the total dividend payout of 56m is 15 per cent up on last year's.

Part of the benefit of higher profits is also being given to

customers in the form of a 3.5 per cent tariff cut.

Yorkshire says its prices have fallen by 15.7 per cent in real terms since 1991.

Mr Malcolm Chatwin, the chief executive, said yesterday that Yorkshire would await the outcome of the current price review before deciding how future profits should be shared with customers.

"We're looking for something demonstrably fair and sustainable," he said.

Following the cancellation of the Swedish deal and the recent decision to pull out of electrical retailing, Yorkshire will concentrate on its core businesses of electricity supply and distribution, power generation and gas supply.

COMMENT

Yorkshire became a potential takeover target when neighbouring Northern Electric was bid for last winter. Swiss Bank Corporation still has a 5.3 per cent stake, and management clearly feels it must deliver quick results to stave off the predators.

Yesterday's figures were flattered by exceptional items, but still showed a healthy growth in core business areas as well as further progress in the management of costs. Future profits will depend on the outcome of the price review, but the company is gearing up to deal with that. The shares were off 5p at 70.8p in a weak market.

Enviromed shares dive amid provision fears

By Tim Burt

Shares in Enviromed fell almost 40 per cent yesterday after the biotechnology and healthcare group confirmed that its half-year profits would be significantly below market expectations.

The shares closed down 31p at 49p amid fears that the company was planning big provisions to cover an abortive attempt to set up a new subsidiary and its failure to resolve a US patent dispute.

Sir Geoffrey Allen, chairman, said the provisions would result in a loss at the halfway

stage. "The market was expecting profits of about £1m. But it's not quite as gloomy as the share price looks."

Enviromed was said to have been aware of the problems for about three weeks. The largest single shareholder, however, said he had been assured recently that the problems had been virtually resolved and expressed disquiet at the company's announcement.

Mr Peter Townsend, a former deputy chairman of the company whose family holds a 22 per cent stake, said: "Why make substantial provision if it's all about to be resolved?"

Acorn issues warning on first-half result

By Paul Taylor

Shares in Acorn Computer, the UK-based computer manufacturer majority owned by Olivetti of Italy, fell 2 1/2p to 90p yesterday after the company warned that its personal computer business "continues to experience difficult trading conditions which will again adversely affect results in the traditionally weaker first half".

In February Acorn raised £17.2m in a 1-for-3 rights issue at 80p to finance expansion into the interactive multimedia market through its Online Media division Olivetti did not

take up its rights and its stake has fallen from 78.5 per cent to 58.9 per cent.

The group, which reported a pre-tax loss of £3.4m for 1994 after a £115.0m profit in 1993, is to invest £13m over three years in its Online Media division. Online has developed a digital "set-top box" which can deliver services to the home via a television set. Yesterday Acorn also announced Online Media had won a contract to supply its set-top boxes to the California-based Lightspeed Partnership. Lightspeed plans to provide interactive programming to US schools and homes.

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Refinancing bonuses at Wembley

By Tim Burt

Two directors of Wembley have been paid combined bonuses of more than £100,000 for their role in securing a £130m refinancing for the stadium and greyhound track operator.

Mr Alan Coppin, chief executive, saw his total pay and benefits package increase by 58 per cent to £205,000 following completion of the rescue package, which cut borrowings from £141.3m to £72.4m.

The increase included a £65,500 bonus which, the company said, reflected "the effort required to ensure the successful resolution of the group's refinancing".

It gave a £45,000 bonus to Mr Nigel Potter, finance director, whose total pay rose to £160,000 (£105,000).

Wembley warned that it might have been forced into a controlled receivership had it failed to win support for a £52.5m rights issue and £52.7m debt-for-equity swap.

Its annual report also showed that Sir Brian Wolfson, deputy chairman, is a director of several companies that enjoy supply contracts with Wembley. Sir Brian, who resigned as chairman following the refinancing, is a director of Fruit of the Loom, which provides T-shirts to the group, of catering suppliers MLC Holdings, Baxters Hoare Travel and Antelope Corporation, the betting systems company.

Campari unveils loss and rescue package

By Geoff Dyer

Campari International, the sports and leisure company that has had its shares suspended since early January, unveiled a rescue refinancing package yesterday.

Mr Pelham Allen, who took over as executive chairman in February, said Campari was still "living on borrowed time" and warned shareholders if they did not approve the package at the July 10 EGM, the group would become insolvent.

At the same time the group announced pre-tax losses last year of £7.6m, against losses of £5.61m the year before.

The main plank of the refinancing is the issue of £2.27m of convertible loan stock. Wing Tai Exporters, part of the Hong Kong group which is Campari's largest shareholder, has agreed to subscribe £688,000, with the rest being taken up by the

three other large shareholders and five members of senior management. Mr Allen said it had not been possible to obtain conventional underwriting due to the group's losses. FMN Finance House, a Dutch factoring company, has agreed to provide a £125m (£10m) debt factoring facility.

A short-term banking facility for letters of credit has been agreed with ABN Amro, the Dutch bank, until October 31.

Mr Allen said the loan stock funds would be used to convert £1.4m of bank debt. Group would be around 100 per cent after the refinancing, and would rise to 150 per cent at the September peak period.

The pre-tax losses included a £2.9m provision for excess stock, rationalisation and redundancies, especially in the UK. Sales fell 18 per cent to £38.8m (£47.5m). Losses per share were 69.6p (83.2p).

David Lloyd Leisure up 18% and plans growth

By David Blackwell

A 9 per cent increase in memberships to 23,768 at its existing clubs helped David Lloyd Leisure to boost interim profits by 18 per cent from £2.97m to £3.5m.

Turnover rose by 30 per cent to £11m to £14.3m, as the group pressed on with its expansion programme.

Mr David Lloyd, chairman, said by the end of this year the group would cover every big city. The group would aim to open clubs on October 1 and January 1, when people would join to take up indoor sport as winter approached, or in the general desire to return to fit-

ness after Christmas.

Two clubs will be opened this year - at Reading and Cardiff. Mr Lloyd said he considered three openings a year to be ideal to maintain the group's market lead.

The pace of expansion has taken borrowings from £5.28m to £26.8m, giving gearing of 63 per cent. Net interest charges rose from £143,000 to £338,000.

Earnings increased by 1p to 5.73p, and the interim dividend is being raised from 1.45p to 1.7p.

Mr Jim Clarke, 55, from HP Bulmer, will join the group as finance director next month. He replaces Mr David Gray, who resigned in February for personal reasons.

GWR rules out cash bid for Chiltern

By Motoko Rich

Chiltern Radio, the commercial broadcaster, yesterday said it was "disappointed" that GWR, the Bristol-based commercial radio group, would not include a cash alternative in its hostile bid for the company.

Chiltern was responding to GWR's offer document - posted yesterday - which confirmed its all-paper offer of 2.38 new GWR shares for each Chiltern share.

At GWR's closing price of 135p yesterday, the offer valued Chiltern at £20.8m and 321p per share. Chiltern's shares closed unchanged at 306p.

Mr Peter Barton, Chiltern chairman, said that with a cash alternative, GWR's bid would have a "much greater chance of becoming an agreed bid".

However, Mr Ralph Bernard, chief executive of GWR, said: "We do not think that a cash alternative is necessary in these circumstances."

Based on Thursday's closing middle market price of 134.5p, GWR said its offer was 3.3 times Chiltern's 1994 sales of £6.2m, 41 times Chiltern's operating profits of £503,000 and 58.9 times earnings per share of 5.4p.

GWR already has support in respect of 51.25 per cent of Chiltern's existing share capital.

Capital Radio, which holds 1.3m - or 20 per cent of Chiltern's total share capital - has given irrevocable undertakings to accept GWR's offer.

Daily Mail and General Trust and its associate, European Media Associates, have also said that, based on the current circumstances, they would take up the offer.

RESULTS

Company	Period	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Aberdeen Bank	Yr to Dec 31	15.4	(14.68)	0.54	(0.52)	2.2	(1.7)	nil	nil
Adena Printing	Yr to Apr 30	43.94	(28.5)	3.29	(1.48)	30.8	(17.3)	1,302.5	1,367
Cambridge Water	Yr to Mar 31	15.1	(14.5)	5.35	(4.14)	1020	(84.2)	150	275
Campari	Yr to Dec 31	38.8	(47.5)	7.68	(8.81)	69.6	(83.2)	nil	nil
Charm Group	Yr to Mar 31	17.3	(15.6)	8.25	(8.98)	58.4	(41.8)	12.6	nil
Crab & Rose	Yr to Dec 31	4.68	(3.25)	0.84114	(0.5194)	211.25	(125.5)	3.1	4.8
Dart Group	Yr to Mar 31	58.3	(52.1)	2.95	(2.34)	13.4	(10.6)	Aug 31	1.4
Hardy Oil & Gas	Yr to Mar 31	151	(660)	281.455	(8.34)	24.6	(7.8)	1	1
Latham (Japan)	Yr to Mar 31	80.1	(71.5)	1.86	(1.34)	27.4	(21.4)	3.75	2.5
Lloyd (Gibraltar)	8 mths to Mar 31	14.3	(11)	3.5	(2.87)	5.73	(4.73)	1.7	1.45
Manchester Airport	Yr to Mar 31	195.3	(102.1)	25.5	(16.6)	-	-	-	3.65
Reed Elsevier	3 mths to Apr 2	34.6	(25.3)	1.01	(1.08)	2.18	(1.15)	-	-
Tris Holdings	8 mths to Mar 31	48.22	(48.45)	3.2114	(1.45)	4.84	(0.89)	-	0.1
Yorkshire Elec	Yr to Mar 31	1459	(1307)	217	(149)	79.11	(51.53)	21.42	16.58
Investment Trusts									
Investec Recovery	6 mths to Apr 30	103.9	(105.23)	0.322	(0.331)	3.88	(4)	4	8

Dividends shown net. Figures in brackets are for corresponding period. 10p increased capital. SUSM stock. 55p post-tax profits. After exceptional charge. After 22-for-25 share consolidation; excluding special 50p payment. †At October 31 1994. ‡After exceptional charge. §After exceptional credit. £100 currency.

INTERNATIONAL COMPANIES AND FINANCE

Nokia registers 85% advance at four-month stage

By Hugh Carnegie in Stockholm

Shares in Nokia shot up 9 per cent yesterday after the fast-growing Finnish telecommunications group reported it had almost doubled profits in the first four months of the year. Pre-tax profits in the period hit Fm1.8bn (\$416m), compared with Fm989m in the same period last year, and well ahead of market expectations. Nokia A shares leapt up by Fm19 on the day to close at Fm223, a new high for a stock that has risen by more than 20 times in value since 1982. The weight of trading in Nokia, whose shares account for about 30 per cent of the value of the Helsinki Stock Exchange, pushed up the Hex index by 2.43 per cent.

The four-month figures confirmed the continued success of Nokia's drive into mobile telephony, where it has become the world's second-largest supplier of mobile telephone handsets after Motorola of the US. Group sales in the period rose 48 per cent to Fm11.4bn, from Fm8.56bn, while operating profits jumped to Fm1.78bn from Fm854m.

Mr Jorma Ollila, chief executive, said he expected profits to continue growing, although

possibly not as fast as in the first four months. "One has to be cautious because even if the market growth in our sectors seems to continue to be positive, there will be increased competition."

The mobile telephone division provided the fastest sales growth as Nokia pushed ahead with sales in the US and Japan, two of its fastest growing markets. The unit's sales rose to Fm4.67bn from Fm2.67bn. The telecommunications division, which produces infrastructure for fixed and mobile systems, lifted sales to Fm2.8bn from Fm1.9bn.

As competition increases, some analysts see Nokia and its competitors being squeezed by lower profit margins. But Mr Ollila said Nokia had so far seen "very little of that happening".

Nokia's estimates for the growth in the worldwide mobile telephone market matched those of Ericsson, its Swedish rival, which expects subscriptions to reach 350m in 2000 from less than 50m now.

Nokia said it was combining its consumer electronics and cable operations - its only remaining non-telephony businesses - into one unit which it would seek to link closely to telecommunications, chiefly through multimedia products.

Enso-Gutzeit profits more than doubled in first term

By Christopher Brown-Humes in Stockholm

Enso-Gutzeit, which is merging with fellow Finnish forestry group Veitsilä to form the country's highest pulp and paper group, said profits more than doubled in the first four months because of the strength of the upturn in world markets.

Profits after financial items were Fm934m (\$216m), compared with Fm365m in the same period of 1994. This was after sales rose 25 per cent to Fm6.86bn from Fm5.51bn and operating profit climbed to Fm1.22bn from Fm701m.

Much of the improvement stemmed from increased sales volumes and higher prices for pulp and paper. The company's newspaper mill at Sachsen in Germany, which only started up last August, also contributed and there was some reduction in financing costs.

However, Enso said its performance had been held back by the stronger market, which has risen than 15 per cent against the dollar in the past year.

Mr Jukka Härmälä, chief executive, predicted demand for pulp, paper and board would continue to grow during the next few months. "Virtually all production capacity will be in use and further price rises are expected," he said. But he warned that the low value of the Swedish krona was holding back profits, particularly for liquid and food packaging boards and sawn goods. This might force the sawmilling industry to cut output in the second half.

Mr Härmälä said Enso's full-year figures would be "significantly better" than last year's Fm1.58bn.

Enso will rank as Europe's third largest pulp and paper group, with sales close to Fm30bn, once its tie-up with Veitsilä is complete. The government-engineered merger, announced last month, will strengthen the two companies' fine paper and magazine paper operations. The state will hold a significant stake.

SGB to move quickly over planned revamp

By Andrew Jack in Paris

Société Générale de Belgique, the Belgian holding company controlled by Suez, the flagship French industrial and financial holding company, is to move swiftly to seek shareholder approval for a restructuring of the two groups.

The group said yesterday that it had already achieved approval from its other shareholders for a new structure designed to increase its independence, and now needed to move quickly to seek the views of Suez's investors to "avoid losing face".

The comments came as Viscount Etienne Davignon, chairman of SGB, confirmed in an interview in the Belgian press that the two groups were discussing a new structure to merge their joint assets in a partnership, each with equal control.

He stressed that there were no plans formally to merge the two groups, but appeared keen to see the 68 per cent control



Etienne Davignon: Suez and SGB in talks on a new structure for partnership control of joint assets

Suez currently holds in SGB reduced. Negotiations have been under way for some months in conjunction with advice from Lazard, the investment bank. Suez considers that

the change could happen regardless of any other restructuring that takes place, such as an investment in Pinault Printemps Redoute, the French retail group. Meanwhile, Suez stressed its commitment to Indosuez, its banking arm, after widespread speculation that it might be up for sale. Mr Gérard Worms, Suez chairman, told shareholders on

Wednesday that the group might seek an external partner to help finance the bank. Moody's, the credit rating agency, said yesterday that it was maintaining its long-term A2 status for the bank, but changing its outlook to uncertain because of the questions over its future.

The board of Suez is discussing when it will hold an emergency board meeting to discuss strategy before the next formal meeting, originally scheduled for September.

Mr Davignon told the *Libre Belgique* newspaper that the new structure - if approved - was unlikely to involve a new corporate holding company, but rather a partnership along the lines of those used by Unilever, Shell, ABB or Ford.

It believed the new structure would simplify the organisation of the two groups, develop closer relations between the assets, cut costs and improve management with the aim of boosting shareholder returns.

Mayne Nickless chief quits after 'differences with board'

By Nikk Tait in Sydney

Mr Bill Bytheway, managing director of Mayne Nickless, the diversified Australian transportation group, yesterday quit abruptly after "differences with the board".

A terse announcement of his departure - made directly to the stock exchange by directors rather than by the company - came only days after Mayne warned that operating profits in the year to end-June were likely to be less than the previous year. In 1993-94, Mayne made A\$153.5m (US\$89.8m) after tax but before

abnormals. The group's shares fell from A\$5.15 to A\$5.63 - a four-year low - after the profits warning, but had rallied to A\$5.75 yesterday morning before the resignation news. They closed four cents higher, at A\$5.67.

The only reason given for Mr Bytheway's departure was differences of opinion over "the direction of the company". There is no immediate successor lined up and Mr Ian

Webber, the company's chairman, will take over the reins until a new managing director is found. The board said that an extensive search, outside the company, would take place immediately.

Mr Bytheway has been with Mayne for 27 years, but came under fire last year from the Trade Practices Commission, Australia's anti-trust watchdog, for his role in a price-fixing cartel alleged to have been operated in the express freight industry for nearly 20 years by Mayne, TNT and Ansett.

After TNT settled with the TPC, Mayne also withdrew its defence against the allegations, and paid A\$7.7m to settle the matter. Mr Bytheway was ordered to pay \$40,000 for what the TPC said was his "central role in directing senior executives to continue to abide by the price-fixing cartel". Mayne, however, vigorously denied many of the TPC allegations, including those concerning Mr Bytheway, and the board pledged full support.

More recently, doubts about the wisdom of the company's A\$420m investment in Optus, set up as Australia's second telecommunications carrier in 1992, have clouded the share price. Optus' fortunes have been bound up with the complex pay-TV saga in Australia, and its plans for a stock-market float are now unlikely to come to fruition before late 1995.

Meanwhile, in its latest profit warning, Mayne has talked of continuing problems with its Loomis armoured car division in the UK - which it said had been "experiencing a severely competitive environment that had placed pressure on revenues and margins".

It has also acknowledged start-up difficulties with new warehousing in Europe, where it has been trying to build a logistics operations. Australian transport operations have also been affected by industrial stoppages and major floods in Western Australia.

Last year's profit improvement was partly attributed to a restructuring begun in 1993.

Pechiney cuts debt with sale to Paribas

By Andrew Jack

The French government yesterday authorised the partial sale of Carbone Lorraine, the industrial components company, to Paribas, the quoted banking group.

The sale is designed to help reduce the debt of its current majority shareholder Pechiney, the French aluminium and packaging group which is itself scheduled for privatisation in the next few months.

The state privatisation commission approved the transfer of 307,700 shares from Pechiney to Paribas at FF7650 or a total of FF2300m (\$444m), in which it will form part of the group's portfolio of industrial and other corporate investments.

The commission which met on June 6 judged that the Paribas offer was fair, after estimating that a minimum acceptable total value for Carbone Lorraine would be FF925m. Paribas' offer values the company at FF934m.

The transfer of the shares to Paribas reduces Pechiney's stake from 61 per cent to 40 per cent. At the same time, Carbone Lorraine's capital is to be increased by between FF200m and FF250m, subscribed to in proportion to their shareholdings by Pechiney and Paribas.

As part of the deal, Pechiney sells to Carbone Lorraine its Ugimad division, one of the biggest international producers of permanent magnets, for a total of FF935m.

The effect of the sale is to reduce the debts of Pechiney by more than FF1bn to FF244m, and to correspondingly reduce its shareholders' funds by FF200m, as part of the operation to prepare the group for its privatisation.

Earlier this year, when details of the sale were announced, Carbone Lorraine also said it was to buy Dietrich, a German manufacturer of components for electrical appliances with annual sales of about FF800m.

Carbone Lorraine, which operates in 33 countries, gave turnover in 1994 as FF2.12bn, and Ugimad FF454m.

Wallenberg company to sell stake in Wabco

By Christopher Brown-Humes

Incentive, an important company in Sweden's Wallenberg family empire, is tying up a loose end from last year's purchase of the investment group Cardio through a \$98m initial public offering for Westinghouse Airbrake Company (Wabco), its US associate.

Incentive acquired a 50 per cent stake in Wabco through the SKR8bn (\$1.1bn) Cardio purchase but the holding was never strategically important.

The IPO, accompanied by a listing on the New York Stock Exchange, involves the issue of 7m shares, equal to 25 per cent of Wabco, at \$14 each. Proceeds will be used to repay a \$74m loan to Incentive and reduce Wabco's debt. Incentive's stake in Wabco will fall to 35 per cent, with a further cut in ownership expected next year.

Incentive acquired Cardio to gain control of Gambro, a fast-growing Swedish medical equipment specialist. Most of Cardio's other holdings have already been sold. Wabco has 50 per cent of the North American market for brake systems and other train equipment. Last year it made \$62m pre-tax profits on sales of \$344m.

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COMPANY NEWS: UK AND IRELAND

J Smurfit buys 29% of Swedish paper producer

By John Murray Brown in Dublin and Hugh Carnegie in Stockholm

In its first move into Scandinavia, Jefferson Smurfit, the Ireland-based paper and packaging group, has paid SKR600m (about £66m) for a 29 per cent stake in Munksjo, a listed Swedish paper company.

The deal, signed on Thursday, is a rare example of a foreign concern penetrating the Swedish paper industry.

Munksjo, a niche-oriented manufacturer selling mostly in Sweden and Norway, produces about 350,000 tonnes of bleached pulp, hygiene products, specialist papers corrugated sheet and board. Its main

product is bleached pulp, with capacity of 150,000 tonnes.

Smurfit has traditionally not been a big pulp producer. However, with the acquisition of the Condat mill in France last year, analysts say Smurfit is looking to secure pulp supplies for its white paper production at a time when pulp prices have been rising.

The stake was acquired from Trelleborg, the mining and metals group which for the past two years has been restructuring its business to concentrate on its core activities.

Mr Michael Smurfit, chairman, said the acquisition was a "significant step in our strategy for our European operations".

Mr Kjell Nilsson, Trelleborg managing director, said the acquisition provided Munksjo with "a shareholder with first-class competence within Munksjo's business areas".

Munksjo earned net profits of SKR276m in 1994 on turnover of SKR3.3bn. Operating profit increased 68 per cent in 1994 to SKR360m on the back of higher prices for pulp and increased sales volume.

Smurfit said it had no plans to increase the Munksjo stake. Until 1993, Munksjo was controlled by Trelleborg, which owned about 75 per cent of the company. Smurfit said it hoped to inherit Trelleborg's two seats on the Munksjo board.

Management buy-in tipped for Alcan's UK portfolio

By Kenneth Gooding, Mining Correspondent

Mr Ian McKinnon, who with five colleagues made a fortune by buying and selling Leyland Bus in the 1980s, is among the potential buyers of the portfolio of UK assets put up for sale recently by Alcan, the Canadian aluminium company.

Until October last year, when he left British Alcan after three years, Mr McKinnon was managing director of one of the divisions for sale, Alcan Plate and Alcan Extrusions and Tubes.

British Alcan said yesterday a group of "blue chip" financial organisations, led by Mercury Development Capital, part of Mercury Asset Management, had exclusive bargaining rights which it expected to result in the assets being sold as one package.

Mr McKinnon was to be among the investors and would be managing director of the group when the deal was completed.

Mr McKinnon, 48, a Scottish mechanical engineer, was manufacturing director of Leyland Vehicle for four years to 1988 and was managing director of Leyland Bus when, in 1986, there was a 24m management buy-out.

Less than two years later Leyland Bus was sold to Volvo of Sweden for an undisclosed sum but Volvo said at the time it was "a multi-million deal" and that it would make the six managers involved "very wealthy men".

Lazard Brothers, Alcan's adviser, said the proposed sale was likely to net the Canadian group "a reasonable premium" on the net assets valued at about £180m. "This would be a good outcome for Alcan."

Although funds would be provided by several organisations - including Morgan Grenfell Development Capital and CVC Capital Partners as well as Mercury - the deal would have "the characteristics of a management buy-in," according to Lazard's, and management participation could be expected.

It was also reasonable to assume that the management might wish eventually to float the group.

A move to stronger foundations

Andrew Taylor on why the impetus to consolidate is growing in the builders' merchant sector

Perkins of the builders' merchant division of AAH, pharmaceuticals and distribution company; Harrisons & Crossfield, which owns Harcross bought Crossley Builders' Merchants from Bowater in 1990 in a deal worth £113m; the same year CRH, the Irish building materials company which owns Keyline, paid £50m for Coakle Building Supplies.

Increasing the number of branches, improving geographical spread, can bring significant benefits, says Mr Ian Mills, Graham's chief executive:

● National chains can negotiate from building material producers discounts not available to small operators buying smaller quantities.

● Increasingly large customers are seeking to negotiate preferential deals with a selected number of national suppliers. Graham is the sole supplier of building materials to Ford UK. British Gas recently announced a list of nine merchants, including Graham, to supply its domestic heating installation business.

● Bigger chains can afford to invest in sophisticated information technology to improve distribution to builders that hold very little stock and need deliveries immediately.

● A larger number of outlets makes it easier to move products between neighbouring branches when local shortages arise, improving distribution and stock holding efficiency.

Mr Mills says: "We promise to have available by 8am the following morning, when work starts, any item ordered before 7pm."

The company has succeeded in increasing sales volume by 6 per cent in the first five months of this year while

improve simply by selling a broader mix of products through the 43 Erith branches, which operate mainly inside the M25 orbital motorway around London, East Anglia and the East Midlands where only two of Graham's 151 branches currently compete.

Further acquisitions and mergers in the sector seem likely. The Builders' Merchant Federation, which 16 years ago had about 1,000 member companies running more than 2,000 branches, says it currently has half the number of members running about the same number of outlets.

It insists "there is still a future for small well-run businesses serving local markets" although the "medium trend for rationalisation" was likely to continue.

The top five selling merchants - Wolsley, Graham, Harcross, Jewson, and Travis Perkins - last year accounted for 31 per cent of merchants' sales. Ian Mills expects the top three will account for at least 40 per cent of sales within 10 years. Some believe more than 60 per cent of sales could be controlled by the 10 largest merchants by 2005.



Ian Mills: "We promise to have available by 8am the following morning, when work starts, any item ordered before 7pm"

industry sales have been falling.

"We have managed to do this, without damaging margins, by improving the computer links between branches, making distribution more efficient and giving customers what they want," says Mr Mills.

"The best margins are achieved on sales to small contractors who are prepared to pay higher prices in return for immediate delivery. We have been gaining market share in this sector."

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£25m provision leaves Hardy Oil £27.7m in red

By Robert Corzine

Hardy Oil & Gas yesterday announced an after-tax loss of £27.7m for the year to the end of March, because of a "strategic refocusing" of the UK independent exploration and production company and lower turnover.

The loss compares with a previous profit of £8.3m.

Mr Douglas Baker, chairman, said he was confident that the strategic refocusing of the company under Mr John Walsley, its new chief executive, would help "accelerate an early return to profitability."

A £25m provision was made to cover the cost of the strategic realignment and planned asset disposals. The exercise includes the company's withdrawal from the Netherlands, Libya, Namibia, and Algeria. It could also involve the sale of all of Hardy's Canadian operations, which Mr

Walsley said would require the commitment of "a lot of financial resources in order to be meaningful".

In future, the company will concentrate on the US, the North Sea, Pakistan and Australia. But Mr Walsley said Hardy might also consider South America, where there were good exploration prospects combined with fast-growing markets.

Planned disposals included the sale of Hardy's interest in the Forties field operated by British Petroleum in the North Sea. Further asset disposals are planned, according to Mr Walsley.

Turnover was down to £51m (£51m) because of lower volumes and falling gas prices in the US. Adverse exchange rate movements accounted for £3.3m of the loss. Operating loss was £19.3m, against a £12.9m profit, and loss per share was 24.6p (7.8p earnings). An unchanged 1p dividend has been recommended.

Trio tumbles £3.2m into loss

Volatility on foreign exchange markets, following the Mexican debt crisis, took its toll on Trio Holdings, the international money and securities broker, which yesterday reported an interim pre-tax loss of £3.2m.

Mr David Hagan, the executive chairman, warned that the "prevailing extremely difficult market conditions" would bear "adversely on our results in the second half."

The deficit for the six months to March 31 (£1.45m profit) included redundancy costs of £900,000. Mr Hagan said that although turnover appeared static at £48.2m, there had been a decline because in 1994 figure did not include a full contribution from Kobayashi in Tokyo, if that had been included, the 1994 figure would have been £52m.

The chairman said turnover had fallen because global trading volumes had declined and treasury operations of Trio's customers had been constrained.

He said Trio had moved to cut costs last year, and sharply increased that programme in February "to meet the uncharacteristic but material volume reduction in global Treasury and foreign exchange activity". The group had shed 15 per cent of its staff.

The shares rose 3p to 12p.

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RATIONALISATION SO FAR

- Oct 88 Travis Arnold and Sandell Perkins merge to create Travis Perkins
- Dec 88 Meyer International, owner of Jewson, acquires UBM in asset swap with Norcross
- Jan 90 CRH, Irish company which owns Keyline, pays £50m for Coakle Building Supplies
- May 90 Harrisons & Crossfield, owner of Harcross, buys Crossley Builders' Merchants from Bowater in £113m deal
- Mar 94 Travis Perkins purchases builders' merchant subsidiary of AAH for £41.8m
- Jun 95 Graham Group agrees to buy Erith in deal worth more than £50m

FINANCIAL TIMES

WEEK IN THE MARKETS

Gold looks for more gains

WEEKLY PRICE CHANGES

ECONOMIC DIARY - PM

TODAY: National Savings

TOMORROW: French municipal elections

MONDAY: International bank for payments first quarter; Small European Union; Summit takes place in Paris

TUESDAY: The World Economic Forum meets in Sao Paulo to discuss the global economy

WEDNESDAY: Building societies; British figures (May); Major's banking groups

THURSDAY: Personal estimates of May; Major's banking groups

FRIDAY: Personal estimates of May; Major's banking groups

SATURDAY: Personal estimates of May; Major's banking groups

SUNDAY: Personal estimates of May; Major's banking groups

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS
Gold looks for more gains

Gold's modest rise this week left the market well placed for further gains, London traders said yesterday.

The price closed near to a five-week high at \$390.30 a troy ounce, up 50 cents on the day and \$2.10 on the week.

The (investor) fund-driven rally was particularly impressive because there was also heavy selling from the producers, which was absorbed very easily, a dealer told the Reuters news agency.

After an afternoon "fixing" in London at \$391.30 an ounce, some traders had expressed concern about a lack of follow-through buying in early New York dealing, which they said left the market vulnerable to a "typical Friday afternoon sell-off". Having managed to hold above the psychologically important \$390 mark, however, one said the market looked "set for another move next week".

Various explanations were offered for the fund's new-found enthusiasm for gold. One reason was a growing expectation of a US interest rate cut. A New York analyst was quoted by Reuters as saying that talk was now focusing on whether the cut would be 25 or 50 basis points. Other suggestions included rising commodity prices, the top-heavy appearance of stock and bond markets, falling gold output and strike worries in South Africa, and hardening opposition at the G7 meeting to a plan to sell international Monetary Fund gold to aid poor nations.

The London Metal Exchange copper market was also buoyant yesterday morning, though the mood became less bullish later. An accelerating rally lifted the three months delivery position to a 4½-month high of \$2,597 a tonne at one point, but by the close profit-taking had chipped away at the

BASE METALS
LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

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FINANCIAL TIMES

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Saturday June 17 1995

The threat to Mr Major

Like alcoholics seeking salvation in another drink, Conservative MPs this week have rekindled the threat to Mr John Major's leadership. It is too early yet to judge how long the latest nervousness will last. The prime minister's allies, however, now acknowledge the possibility that recalcitrant backbenchers will force a contest in November.

For observers of this extraordinary tableau one of the more difficult tasks is to separate the despair from the delusion. As they stare into the electoral abyss, with opinion poll ratings lower than any on record, an air of panic on the Tory backbenches is understandable. But those arguing that a change of leader is the way to restore the standing of a divided government and an embittered party display a capacity for self-deception and a notable disregard for the electorate. Mr Major, whose prospectus played a pivotal role in the 1992 election victory, is the symptom rather than the cause of the problem.

The danger to Mr Major comes from two groups. There are first the Eurosceptics, roused again this week by Lady Thatcher's broadside against her successor's willingness to negotiate with his EU partners. They put their central demand directly to the prime minister in an ill-tempered meeting at the Commons on Tuesday. Unless he is willing to rule out participation in a single currency during the next parliament, they are ready to trigger a leadership contest. Rightly, Mr Major rejected the demand. It would be folly now to give up the "each-way" bet Britain secured in its opt-out from economic and monetary union.

The sceptics have the numbers to initiate a challenge, but can be successful only with the support of a second group - the MPs in relatively marginal constituencies who fear that under the present leadership they are certain to lose their seats. As the government lurches from crisis to crisis, many in this group are now lending their support to the idea that Mr Major should be replaced.

Awkward contradiction

Both groups see Michael Heseltine as the most likely successor. For the Eurosceptics this involves an awkward contradiction. Mr Major is a pragmatist in his policy towards Europe. Mr Heseltine is committed to sustaining Britain at the heart of the EU. The sceptics' rationalisation is that Mr Heseltine would have to strike a bargain with their standard-bearer in the cabinet, Mr Michael Portillo: there could be no agreements with the EU before the next election. They would expect Mr Heseltine to lose that

election less badly than Mr Major. Mr Portillo would become leader of a Eurosceptic opposition. Those whose main fear is the loss of their seats see other reasons for supporting Mr Heseltine: he would promise more decisive leadership, would take the political fight back to Mr Tony Blair, and would be more populist in his approach to the economy and taxes. The Conservatives might well lose the election anyway, but, as individuals, they would have a better chance of clinging on to their seats.

Flawed analysis

The anxiety of such MPs is understandable, their analysis is flawed. Mr Major is not responsible for the mixture of exhaustion and panic that infects his party. This comes from the hubris of 18 years in power, from the wounds inflicted by Margaret Thatcher's departure, and from the divisions over Europe. Similarly, the allegations of sleaze and misgovernment which beset his administration, reinforced by the latest difficulties faced by Mr Jonathan Aitken over arms sales to Iran, have their roots in the Thatcher era.

The populist measures being promoted by senior backbench MPs sound attractive but would not deliver political salvation. Generous tax concessions for homeowners and married couples, along with reductions in the basic rate of income tax would only fit in a dash-for-growth strategy. Many of his potential supporters believe Mr Heseltine would risk the consequences. They ignore the pressure on any prime minister to observe the anti-inflation framework agreed with the Bank of England and the power of the financial markets to punish fiscal or monetary irresponsibility.

The reality is that the present economic strategy, outlined again this week by Mr Kenneth Clarke in his speech at the Mansion House, remains the government's best chance of clawing back the trust of the electorate. Steady non-inflationary growth, perhaps accompanied by modest tax cuts, may not be enough to win the election. But it offers the only worthy prospect.

The outlook for the government is far from bright. Many of its ministers think it will lose the election. But a leadership contest would serve only to expose still more vividly the divisions and bitterness which have contributed so much to its unpopularity. Mr Heseltine, like Mr Major, would find it impossible to bridge the fault-line over Europe. Like the alcoholic, the Conservative party will recover only if it decides it wants to. Choosing another leader would be as efficacious as opening another bottle.

For the 300,000 residents of Sarajevo, the once-prosperous, once-charming Balkan city that lies on one of the most deadly fault lines of history, yesterday was a day of hope and apprehension.

Civilians hunkered down in their homes as Serb forces lobbed shells into the town centre in retaliation for a desperate, many-sided Bosnian government offensive which has been described by President Alija Izetbegovic as "the last chance" for his side.

For Sarajevans, the latest fighting recalled - although it has not so far exceeded - the worst moments of the Serb encirclement which began in spring 1992 after Bosnian Croat and Muslim leaders proclaimed an independent republic.

But for many townspeople - among whom the much romanticised "spirit of Sarajevo" has given way to bitterness and resignation - the latest fighting also brought a glimmer of hope.

The inability of the United Nations to keep lifelines to the city open, and world indignation over the Serbs' recent capture of nearly 400 UN peacekeepers, may have created a window of political opportunity for the Bosnian government to improve its military situation.

In the words of one UN official handling the conflict: "If the international community cannot lift the siege, can there be any justification for asking for the Bosnian government not to do so?"

While the fighting around Sarajevo is clearly intense, it is difficult to ascertain whether the Bosnian government is really trying to lift the siege of the city.

The UN's intelligence-gathering capacity has been sharply reduced following the forced closure by the Serbs of most of its military observation posts.

The Bosnian government, whose public relations are normally quite sophisticated, has also been trying to restrict media coverage - with the possible aim of blocking any images that would tarnish its image as a victim of Serb aggression.

Senior western military figures acknowledge that the Bosnian army has improved greatly as a fighting force in the past two years and that it has also managed to get its hands on some heavier artillery. Some of the heavy weapons have been captured from the Serbs in previous encounters, and more have been smuggled in by countries sympathetic to the Muslims' plight.

The newly found cohesion of the Bosnian army has been shown on the battlefield, with one western intelligence expert suggesting that the Bosnian government has won seven of its last nine large-scale encounters with the Bosnian Serbs.

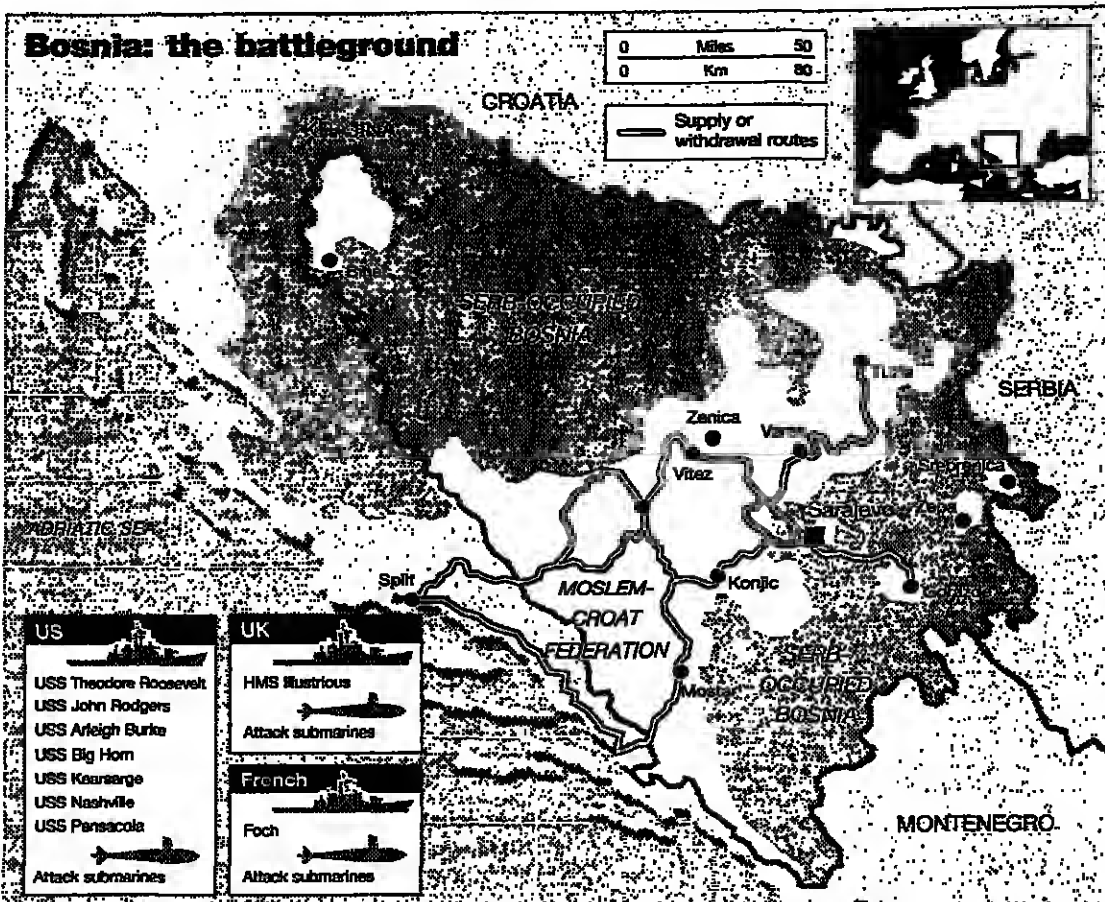
Despite this, the Bosnian government is probably a good enough judge of its own strength to realise that it cannot wield enough military might to break the Serb grip on Sarajevo. It is more likely that the Bosnian government is trying to start a sufficiently serious fight to force the Bosnian Serbs to commit their reserve forces.

Once they are sucked in, the government could use some of its own reserve forces to strike elsewhere. Serb communication lines to the north and south are an important target - and the most vital of these, whose control seemed in the balance yesterday, was a supply road running south of Sarajevo to the Bosnian Serb stronghold of Pale.

The latest offensive catches the UN's 23,000-strong mission in Bosnia at a low ebb in the credibility of its effort to mitigate suffering and preserve a minimum of stability.

Renewed fighting has raised hopes for the Bosnians and problems for Nato and the UN, say Bruce Clark and Bernard Gray

At the mercy of military logic



The UN's role as an escort of humanitarian aid - the main justification for its presence - was called into question in recent days when the Bosnian government started driving food convoys over the lethally dangerous Mount Igman route into Sarajevo because the blue helmets judged it too risky.

The UN's dilemma will be sharpened even further if, as looks all too likely, the Bosnian offensive provokes the Serbs into committing some new attack on Muslim civilians - of the kind which would stoke demands, particularly in the US Congress, for firmer intervention to "punish the guilty".

A fresh Serb outrage could well trigger renewed demands in the US for Nato bombing raids - and perhaps for even tougher air action than the raids of May 25 and May 26 which prompted the Bosnian Serbs to start taking UN hostages.

Mr Mats Berdal, an expert on UN peacekeeping, sees the latest Bosnian offensive as "an attempt to get the Serbs to respond in their customary manner" at a time when Nato has been at pains to stress, officially at least, that air strikes are still included in the range of possible options.

Britain and France have been co-operating closely to restore the UN's credibility with the help of the 10,000-strong rapid reaction force which they and the Netherlands are preparing to send to Bosnia.

Agreement on the principles on the rapid reaction force has required a good deal of intricate negotiation with the Russians - who wanted to be assured that the force had nothing to do with Nato - and with Washington, where the US administration failed to persuade Congress to provide any funding.

Now there is a danger that delicate diplomatic stitching could be unravelled by an abrupt deterioration of the situation on the ground, which will alter the political climate in all the capitals involved. If this happens, the Bosnian government, which has long been exasperated by the UN's interpretation of impartiality, may not be displeased.

The Bosnian leadership has been alarmed by the signs that the UK and France and the UN secretariat are inching back towards a patchy, but working relationship with the Bosnian Serbs.

One such sign was the revelation that at the height of the hostage crisis, General Bertrand Janvier, the French commander of all UN forces in former Yugoslavia, had a secret meeting with General Ratko Mladic, the Bosnian Serb commander. Another worrying sign - from the Bosnian government's point of view - was the resumption of apparently cordial relations between the UN and the Serbs over food convoys to Sarajevo and other UN-protected safe areas.

Faced with these indications of UN softness towards the Serbs, the Bosnian government had every incentive to make plain that it was not prepared to settle for a resumption of last year's uneasy stalemate.

In the words of one UN official: "The Bosnian government is trying, in its own way, to intensify the debate about how robust the UN can be."

Almost everybody involved agrees that the 23,000-strong mission ought to stay on in the war zone as long as it can, because the alternative of a widening, free-for-all conflict is too ghastly to contemplate. But the blue helmets are in danger of being paralysed by the conflicting agendas of their sponsors.

In London, at least, there are senior defence officials who believe the UN mandate is not yet hopelessly compromised. They stress that the UN's role is to provide humanitarian aid and not to get sucked into the fighting. On this analysis, the UN can "roll with the punches" when fighting flares up and wait for the situation to calm down again before it renews its aid convoys with the grudging consent of all sides. Those who argue that the UN should simply "hang loose and wait for everything to die down" would add there is no immediate pressure to make a decision on withdrawal.

Some British officials have said that the UK would have to decide whether or not to withdraw by early August if troops are to be evacuated before the snows arrive.

The optimists disagree, and claim that Nato's withdrawal plan can be used at any time of year. "This is not a plan which will only work at 70 degrees in the shade," says one Nato official in Brussels. "If we have to, we can pull them out at any time of year."

If it is really true that the seasonal factor can be discounted, the UN may struggle on until at least next summer. But such optimism will be tested if large numbers of UN soldiers are killed in crossfire, or face unrelenting hostility from one or both sides.

Those governments with troops on the ground will then have to decide whether to be drawn further into the conflict, or to pull out.

Nato's plans for running the withdrawal operation are coming together and General George Joulwan, Nato's supreme commander, is due to report to the Nato council on Wednesday. Nato officials say that a full plan for any withdrawal should be finally agreed at a council meeting on June 28. Serious issues remain to be resolved, including whether the UN or Nato should bear the cost of the \$2m operation, and who should have command of the withdrawal force.

If the withdrawal swings into action it can follow one of two paths. The emergency plan would use helicopters to lift UN personnel out, with only the equipment they could carry, to the port of Split and the aircraft carriers lined up in the Adriatic. The reinforcements being sent to Bosnia would be very useful in such an operation and would form the backbone of any emergency exit force.

The more stately main plan calls for a rapid reinforcement by airborne troops once the decision to withdraw is announced. These forces, including paratroops, would protect UN personnel in Bosnia until a main evacuation force arrived over several weeks. Some 60,000 troops would be used in the main force, including the two main contingents of 25,000 US marines and almost 20,000 British troops. They would secure supply routes from the port of Split on the Adriatic to Sarajevo.

The Allied Rapid Reaction Corps, Nato's main mobile force, would then set up headquarters near Sarajevo, pull all of the ground forces and heavy armour in central Bosnia together and establish convoys to move to the coast. UN troops in outlying pockets such as Srebrenica and Zepa would have to be airlifted to the Sarajevo HQ. The convoys would be accompanied by engineers to defuse mines and repair bridges, and would be protected by massive Nato air power from US F-15 and F-16 jets, and UK and German Tornado fighter bombers.

Once at the coast the equipment would have to be loaded to cargo ships. Lack of space in ports such as Split may cause severe bottlenecks unless the command and logistics organisation works well. Nato's withdrawal plan runs to 1,000 pages, but the unenviable task of turning theory into practice may well fall to Nato in the next few months.

If this week's fighting is followed eventually by the withdrawal of the peacekeepers, the people of Sarajevo would - after more than three years under siege - be left for better or worse to the cold logic of a military solution.

Additional reporting by Harriet Martin in Sarajevo.

MAN IN THE NEWS: Lindsay Owen-Jones

Sweet smell of success

The scent that Lindsay Owen-Jones, chairman and chief executive of L'Oréal, the world's largest cosmetics group, wants in his nostrils this weekend has nothing to do with perfume. It is the scent of victory.

For Owen-Jones, there is no healthier fragrance than the mingled odours of hard-working engine oil, glowing carbon disc brake pads and sweat seeping through layers of fireproof clothing. That will be especially true tomorrow afternoon if his McLaren F1 GTR sports car is in the lead when the chequered flag signals the end of the Le Mans 24-hour race.

For a middle-class, Oxford-educated Englishman still faintly astonished by his own rise at L'Oréal - his career there began 25 years ago selling shampoo around Normandy - victory at Le Mans would be a personal triumph in a life already crowned by business success.

The 49-year-old Owen-Jones maintains he was born "with a virus for cars". Yet despite his acknowledged addiction to motor racing - he competed with considerable success in classic car racing before moving into modern GTs last year - Owen-Jones is realistic about his chances of winning what is perhaps the world's most famous motor race.

For a start, there will be faster cars even than Owen-Jones's Elan, 220mph McLaren in its Gulf oil livery out on the daunting eight-mile circuit - notably Porsche K8s, Ferrari 338SPs and Peugeot and Courage prototypes. These are purpose-built racing cars not built or sold for use on public roads, unlike the McLaren, Jaguar XJ220s, Corvettes, Honda NSXs and other GT cars which have become eligible for Le Mans during the past two years

as a result of the event returning to its sports car roots.

Nor, earlier this week, was it even certain whether it will be Owen-Jones driving when the chequered flag comes out, or one of his two professional co-drivers, Frenchmen Pierre-Henri Raphanel or Philippe Alliot. When it comes to team strategy, including who drives when, "then because the car belongs to me I suppose I could impose the final decisions", says Owen-Jones. "But wisdom dictates that they should be made by the experienced, professional people in the team." As for the prospects of winning: "Someone of great experience said to me 'don't even think about where you could finish at Le Mans. You've just got to go out and do the very best you can. And if it happens, it happens.'"

Some critics suggest, however, that what happens might be altogether less appealing: and that someone with Owen-Jones's responsibilities, to shareholders and thousands of employees worldwide of a company turning over some \$10bn (\$3.21bn) a year, should not even be thinking about competing in a sport so dangerous as motor racing - and particularly in so arduous an event as Le Mans.

The same applies to pharmaceuticals entrepreneur Ray Bellm, the other officially "amateur" driver in the second Gulf McLaren: to Oppenheim Bank co-owner Thomas Bescher competing in another McLaren; and Harrods heir Moody Fayed and a handful of others whose business income has provided them with the wherewithal to fulfil the frustrated motor racing dreams of impetuous adolescence.

It is a criticism which both Owen-Jones - and other businessmen drivers - vehemently reject. "Yes, obviously there is a question of



responsibility," acknowledged Owen-Jones during a break in qualifying this week. "But statistically it is far more likely in business that I would have a health problem from over-eating and a sedentary lifestyle."

"The fact is that because of this I gave up smoking two years ago, I run for half an hour every morning, I watch my weight and get plenty of sleep. So I am much fitter than I have ever been and much fitter than 99 per cent of my business peers with similar responsibilities... If I were over-eating regularly no one would even notice, but it's just as dangerous."

"Many miss two weeks or more from the office because of a health problem linked to the fact that they're 20 kilos overweight. Yet no one questions their moral right to eat whatever they want. And I don't believe anyone should question my moral right to go motor racing."

Owen-Jones also maintains that most of his motor racing involves

only weekends and can be planned far in advance, leaving mainly his family, not the business, short of his time. Except for *force majeure* through accident, he also insists that, in a crisis, business will always come first. "It's always been totally clear that if there were a major business problem that I would get out of the racing car and disappear: those are the conditions in which both the team and my co-drivers know I have to operate."

He insists he has come under no pressure from the controlling L'Oréal family shareholders to desert.

The unique appeal of motor racing, says Owen-Jones, "is that it's all about trying to get to the edge yet not falling off. If you're too careful you're going too slow and if you're not careful enough you crash... It's a unique mixture of the mind, body and a machine."

He has tried alternative, less dangerous sports, but none has provided a substitute. He also sees strong parallels between motor racing and business.

"For an organisation, whatever it may be, the whole idea is to go as fast as reasonable, taking risks which do not, however, compromise the very existence of the institution. And to do that as a manager you probably need something of the spirit of risk-taking and competitiveness you inject into motor racing." Owen-Jones accepts that, as an amateur, he is likely always to be fractionally slower than the best of the professionals - although Bellm has won three world championships in sports prototype racing.

He professes no regrets at the course his life has taken. But having achieved business success, "the question was always nagging away - could I have been a racing driver?" Since Owen-Jones's and Bellm's Gulf McLaren's between them have had five podium finishes, including four outright wins, in the BPR International Endurance Championship in which they are competing this year, both men are pretty satisfied with the answer.

John Griffiths

OPENING BARS

OPEN IN BARS

Event	Date
Golfers' Open	11 June-9 July
Royal Welsh	20-23 June
The Volvo Club Open Golf Club	23 June-16 July
Wimbledon Tennis Championships	25 June-9 July
Henley Regatta	5-8 July
San Francisco Test Match, England vs. Australia	6-11 July
124th Open Golf Championship, St. Andrews	20-23 July
Golfers' Championship	23-29 July
Cricket World Cup, England vs. West Indies	29 July-1 August
Belmont Handicap, St. Andrews	31 August-3 September

Veuve Clicquot
CHAMPAGNE OF THE SEASON

Design for Europe produce instalment hasten exit by

From Dr Gary L. Cappel
The reader is drawn to the headline introducing Michael Stiller's essay: "The need for a grand design" (June 13). This American reader is disappointed, however. Mr Stiller's primary recommendation is for a "grand design" for Europe. This is not grand. It is a design that will produce a "grand design" for Europe. The reader is drawn to the headline introducing Michael Stiller's essay: "The need for a grand design" (June 13). This American reader is disappointed, however. Mr Stiller's primary recommendation is for a "grand design" for Europe. This is not grand. It is a design that will produce a "grand design" for Europe.

The Alternative Investment Market is likely to get off to a slow start, say Richard Gourlay and Christopher Price

Capital idea for the small investor

Amid muted celebrations, the London Stock Exchange will on Monday launch its latest attempt to create a market place for investors with a taste for small companies: the Alternative Investment Market.

The new market will offer several attractive features to the small investor, including a relatively high degree of regulation and tax breaks.

But it is likely to get off to a slow start: only 10 companies will be quoted on it when trading starts at 8.30am.

There is a long history of attempts to create junior stock markets for growing companies in the UK. The Colindale Securities Market, founded in 1980, brought 888 small companies to the market and raised nearly £6bn, according to Stock Exchange figures. But investor interest took a knock in the 1987 stock market crash and the last recession.

Changes in European Union rules on market regulation also mean there is now little difference between the US and the official Stock Exchange list. The USM will stop trading at the end of next year.

The Third Market, launched in 1987 for companies with only a one-year trading record, was wound up in 1990 having failed to generate any significant interest.

Some Third Market companies went into the USM. The remainder became tradable under the Stock Exchange's Rule 4.2, which allows members to trade shares of the market when buyers and sellers can be found.

The new market has two advantages over its predecessors. It has been given management resources by the Stock Exchange, with a team dedicated to making it work. "The USM is dying because there was

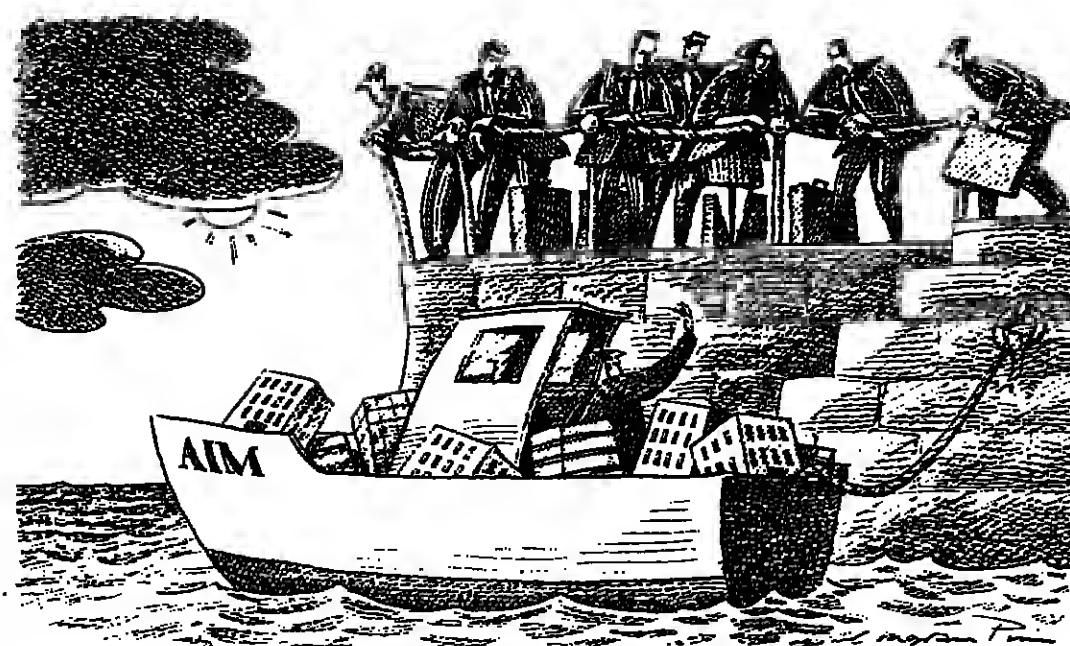
no-one whose main job was to ensure it survived," says Mr Mark Crumley, head of corporate finance at Singer & Friedlander, the merchant bank which is one of the 23 "nominated" advisers. These advisers – most of whom are brokers – will be responsible, as they were on the USM, for enforcing the regulations.

Of equal importance is the tax break that will be available to investors on Aim. If they invest the proceeds of the sale of almost any asset in an "unquoted" business – a definition that includes Aim companies – the capital gains tax due on the gain can be deferred indefinitely. The tax becomes due only if they cease to hold investments in qualifying "unquoted" companies (and losses if the investors still hold the investments when they die).

"A number of very wealthy clients with a major shareholding in a company on which they have a huge capital gain will be interested in unquoted investments rather than paying money to the taxman," says Mr Robin Dunham of Charles Stanley, the stockbroker.

Some of the companies raising money on Aim will undoubtedly be risky propositions and might require this kind of tax break if they are to attract private investors. But the risk will be much lower with others, such as Southern Newspaper Group – a more than 100-year-old Southampton business with a market capitalisation of over £100m – which is planning to switch to Aim from the 4.2 market before the end of September.

Some brokers suspect that private investors in Aim will gravitate to such relatively low-risk companies.



This happened with the Business Expansion Scheme, which also offered tax relief for those investing in growing businesses: most private investors ended up in low-risk property investments. To avoid this, the Inland Revenue is considering whether capital gains tax relief should be available only for companies below a certain size.

Even though such aspects of the new market are likely to be attractive to private investors, trading will get off to a slow start because

of the small number of companies initially listed.

Three of the 10 are property groups – Norcity II and Norhomes, two related concerns which are both new to the stock market, and Gander Holdings.

The Old English Pub Company, an operator of 20 "character" public houses in the north home counties and East Anglia, is likely to be joined later in the week by Cafe Inns, a Lancashire-based operator of bars and pubs.

The largest of the 10 is Dawson

Holdings, an international journal distributor, which reported turnover of £131m and pre-tax profits of £4.3m last year.

The rest of the list comprises Brantome Holdings, a mining exploration group; Lorien Group, which provides specialist personnel to the information technology and engineering sectors; County Gardens, a garden centre operator; Formscan, a supplier of document management; and Athelney Trust, an investment trust.

Many more companies are likely

to join Aim when the 4.2 market is wound up on September 29 and when the USM ceases trading. KPMG, the accountants, expect about 200 companies to be on Aim by the end of 1996.

USM and 4.2 companies not wishing to switch to Aim are faced with either leaving the market or moving to a full Stock Exchange listing.

Aim is also expected to attract growing companies looking to raise capital in a market where a quotation is not an onerous or expensive undertaking. The first of these is expected within days when Erros, a small loss-making computer software company, will raise up to £1.5m through a placing of shares with institutional shareholders.

One concern for private investors is likely to be the quality of the information on Aim companies. "There will be a wide variation in the amount of work nominated advisers will do and a wide variation in the quality of the prospectuses," says Mr Crumley.

Many of the 4.2 companies, for instance, will be introduced to Aim with a relatively thin prospectus, simply because the company wants to attract new investors. Rowan Dartington, the Bristol based broker and a nominated adviser, says the cost of such introductions could be as low as £30,000, a reflection of the modest aims of the prospectus.

On the other hand, companies raising money are likely to find backing from investment institutions only if they have produced a full prospectus. It cost the Old English Pub Company about £200,000 to raise £2.5m from institu-

tions last month ahead of an Aim quotation. This is not far short of the cost of raising money for a full Stock Exchange listing because the sponsor produced a comprehensive prospectus.

The Stock Exchange says it is happy with the modest number of launch companies next Monday. It expects the pace of companies coming to Aim to increase after the summer, traditionally a bad time for raising money.

However, many private investors may prefer to wait until the autumn before putting their money into the new market, when venture capital management companies and others will be launching Venture Capital Trusts. These trusts – which have similar relief from capital gains tax to unquoted companies – will provide investors with a spread of risk.

In the longer term, there are likely to be other markets springing up to raise capital for growing businesses. The governments of France, Germany and Italy are encouraging efforts by national bourses to set up alternative markets. And European securities dealers are planning to open a market called Easdaq by mid-1996, to provide a pancontinental equivalent of the US Nasdaq market for small companies with ambitions for rapid growth and an eye on international markets.

Whether Aim flourishes will depend on its success in enticing institutional investors to provide capital and liquidity. "It would be a pity if Aim does not become a market where companies can raise money from institutions," says Mr Crumley. "If that were to happen, Aim would just become a revamped version of the 4.2 market."

A paper tiger leaps the walls of China

The fourth floor of a primary school building in a dusty corner of the People's Daily compound in Beijing looks an unlikely place from which to launch an assault on what is potentially the world's biggest media market.

But it is from these temporary and improbable premises, amid the shrill sounds of children playing, that Mr Rupert Murdoch's representatives will begin the difficult task of trying to build News Corporation's presence in China in partnership with the Communist party newspaper.

Mr Zhang Dehua, the executive deputy general manager of the 50-50 venture, "with the pedestrian title of Beijing PDN Xinren Information Technology Co, hopes that, like the children's voices, the new enterprise will 'be full of life'."

Mr Murdoch would certainly share these sentiments, for there is no doubt the Australian-born magnate has set his sights on penetrating the hitherto opaque China media market with the same determination he has displayed in pursuit of other goals.

This has been a long quest for the US-domiciled Mr Murdoch, who first began attempts to secure a foothold in China in the mid-1980s with a proposed media centre for television and print in the western suburbs of Beijing.

That idea was still-born in the chillier atmosphere of the 1980s with its campaigns against "bourgeois liberalisation" and "spiritual pollution". The freeze continued during the political crackdown after the security forces pushed down pro-democracy protesters in Beijing's central Tiananmen square in 1989. But Mr Murdoch persisted and redoubled his efforts after his acquisition in 1993 of the Hong Kong-based Star TV satellite network.

The agreement with the People's Daily is modest by Murdoch standards, with planned investment of about \$5.4m (£3.35m) in an electronic publishing and data retrieval business. But it is only a first step:

Rupert Murdoch's deal with the People's Daily gives him a crucial lynchpin, says Tony Walker



Toe in the door: Rupert Murdoch's representatives say it makes sense to start modestly in China

Mr Murdoch has been allowed to put his toe in the door.

News Corp representatives say they have learned from experience that grand schemes make the Chinese nervous: that it makes more sense to start modestly. "It is better to work the system from the ground up, rather than the top down," says Mr Bruce Dover, general manager of the new venture and a former deputy editor of The Australian, the Murdoch daily newspaper.

Mr Murdoch has, however, attempted to secure advantage by cultivating the family of Mr Deng Xiaoping, China's senior leader. For example, HarperCollins, the News Corp publisher, bought the English-language rights to the biography of Mr Deng written by his daughter, Ms Deng Hong, for a sum that was said to approach \$1m.

More recently, Murdoch interests helped fund a visit to

Anstralia by a performing troupe of disabled Chinese led by Mr Deng Pufang, Deng Xiaoping's paraplegic son. These gestures may, however, prove to be of questionable value, since the Deng family star appears to be waning amid

The media magnate has set his sights on penetrating China's opaque media market

suggestions that his children have misused their positions to plunge into business.

The People's Daily deal also hardly represents "ground-up" entry to China. The Communist party newspaper is not the force it was – circulation has dropped from about 6m to 2m

over the past decade. But the association with the official "organ of the Central Committee of the Chinese Communist party" should provide some powerful guaranties, to use the Chinese word for connections.

Mr Zhang of People's Daily makes no secret of the motives of a paper that once spent its days railing against "capitalist running dogs" and "imperialist paper tigers" in agreeing to a tie-up with Mr Murdoch.

"The People's Daily is taking steps to internationalise," he says. "It wants a partner with experience in the international market. It wants to develop into an active economic organisation whose business is not just confined to newspapers."

People's Daily is interested in expanding into television and other forms of electronic media. But Mr Zhang acknowledges that the "time is not yet ripe" for adventurous media ventures in China involving

foreigners. "At the moment there is a red light, but we look forward to there being a green light," he says.

Mr Murdoch is not standing passively waiting for the media rules to be liberalised. News Corp recently took a 40 per cent stake in a joint venture with the Tianjin municipal government to establish a TV production studio.

Like the People's Daily deal, this modest venture – one of very few commercial arrangements with foreign media – is to position News Corp for a bigger push into China by gradually winning the authorities' confidence. News Corp executives accept there is unlikely to be a "big bang" in which the market suddenly opens to outsiders.

Mr Murdoch's main preoccupation is to extend the reach of his Star satellite TV network, which was acquired in 1993 for about \$500m and is losing an estimated \$25m annually.

While Star claims some 30m viewers in China, cable distribution of Star's signal would provide an enormous boost to its financial prospects. To win Chinese approval, Murdoch executives have been trying to persuade Beijing to sanction News Corp's "black box" technology allowing the authorities to "control" satellite programming into China.

Using "smart card" technology developed by News Datacom, a subsidiary of News Corp, Chinese censors would be able to filter programmes to be rebroadcast on a second satellite in digitally encoded form. In effect they would be handed a "master switch".

This aid to Chinese censors hardly squares with Mr Murdoch's embittered claim in September 1993 that "advances in the technology of telecommunications have proved an unambiguous threat to totalitarian regimes everywhere". But such contradictions are not unknown in the way of News Corp's march into China.

Mr Murdoch is playing for high stakes. This week he was given a seat at the table.

Eleventh-hour talks next week between senior US and Japanese officials will attempt to resolve the row that threatens a trade war between the two countries. Although similar disputes have been settled at the last minute in the past, the prospect of a deal on cars seems especially bleak.

Senior members of the Japanese government, irritated that their side has yielded on most previous occasions, seem determined this time to stand their ground in the face of US complaints that Japan does not buy enough American cars.

It is not just a question of wounded pride. Japanese officials say they are also concerned about the relationship's long-term stability. "If we keep on caving in to the US at whatever cost, it would undermine national support for the Japan-US alliance," says one senior government official.

Underlying that observation is the fear of a rising tide of anti-American sentiment. For 40 years, Japan's foreign policy has been based on the assumption it can shelter under the US security umbrella, a stance legitimised by a strongly positive popular view of the US.

But with the end of the cold war, security interests are not quite so clear-cut. Some Japanese, especially in recent years, have begun to question the US-Japan relationship.

In this 50th anniversary year of the war's end, it was always probable there would be some raking over of past enmities. There have already been skirmishes over the US decision to print a postage stamp commemorating the atomic bombs at Hiroshima and Nagasaki, and an exhibition at the Smithsonian Institution in Washington featuring the Enola Gay, the plane that dropped the first bomb. Popular newspapers have condemned the Americans for what are termed "senseless references to the past."

More contemporary economic troubles have also revealed a latent anti-American sentiment in the Japanese mind. The yen's ascent to new highs against the dollar has led to accusations of deliberate US inaction over the falling dollar to punish Japanese

Strong yen to resist

Car dispute is aggravated by anti-US feeling in Japan, says Gerard Baker

Industry for its success. The prize for the most spectacular outburst goes not to the forlorn salarymen who marched through Tokyo with placards calling on the US to "Save our jobs – Stop the rise of the yen," but to Mr Shizuo Kamei, the transport minister in a splenetic fury, he accused the US of treating Japanese as "diligent slaves".

The US, he said, had used the yen's rise to defend its own companies. He likened this to the period in American history when "black slaves were brought from Africa and produced wealth".

These outbursts, however, were isolated expressions of anger. The salarymen attracted only bemused interest from onlookers, and Mr Kamei was quickly forced to retract his intemperate remarks.

In the main, if polling evidence is to be believed, the Japanese as a nation retain a remarkably warm view of Americans. A survey conducted every year by Gallup for the Daily Yomiuri, Japan's largest circulation newspaper, measures the mutual views of Americans and Japanese. The latest, taken at the end of last year showed, if anything, that Japan's long-standing affection remains, and is now even more unrequited than in the past.

Most revealing was how the Japanese characterised the ties between the two countries. Ten per cent said they felt the US was like a parent to Japan; another 10 per cent felt it was more like an elder brother. Thirty-seven per cent thought

the US was a friend. Only 27 per cent chose the word "rival" to describe the relationship.

By 1990, 52 per cent of Americans said Japan was like a rival and only 19 per cent a friend. Just 2 per cent saw Japan as a parent or elder brother. The number of Japanese who said relations between their country and the US were good or very good rose from the previous year, from 30 per cent to 36 per cent.

But there has been gradual change. In the 1980s and 1970s, far higher proportions expressed a positive view of the relationship.

The explanation is generational – younger people are far more likely now to regard the US in a less saintly light. Only 26 per cent of those in their 20s and 30s last year said the US was like a friend, while 39 per cent said it was like a rival. Among Japanese over 60, the figures were 44 per cent and 20 per cent respectively.

This might seem curious. Japanese youth has embraced US culture as enthusiastically as any nation on earth. From McDonald's to Madonna, young Japanese are confirmed Americans. But they are the same people who have become more sceptical about the political relationship with the US and more eager to see Japan stand up to US demands.

The older generation, many of whom witnessed the horrors of American bombing of Japan's cities in the war, retain a mixture of admiration and gratitude to the US. One highly successful businessman in his 70s writes up like this: "We saw our country defeated in war by America. Then we saw it raised up with the help of massive generosity from the same Americans in the form of economic assistance. We owe them a deep debt of gratitude."

As that generation grows older, the country is likely to develop perhaps a more hard-nosed view of its interests and Japan will gradually lose its sense of a debt unpaid.

For the time being, the Japanese like to see themselves as America's friends. Persuading them to go as far as buying American cars is, however, another matter entirely.

Design for Europe would produce instability and hasten exit by US

From Dr Gary L. Geipel. The reader is drawn to the headline introducing Michael Stürmer's essay: "The need for a grand design" (June 13). This American reader is disappointed, however. Mr Stürmer's primary recommendation is for congruent NATO and European Union/Western European Union widening processes subject to a Russian "veto de regard". This is not grand. It is a design that would produce instability in eastern Europe and hasten America's exit from the continent.

Two commodities are in short supply in eastern Europe: prosperity and security. The EU is best able to augment the former and NATO the latter. Because the criteria that drive sensible economic and security decisions differ considerably, the two organisations must not be pressured to enlarge themselves foreshadowing the absurd results of such a policy.

The Baltic states, he argues,

cannot be admitted to EU membership, "because of its implications for the WEU". As a consolation prize, he offers "some sort of east European economic community". Some sort indeed. The region needs massive investment and full access to western European markets, not a resurrection of Comecon.

The US, meanwhile, will not continue to invest billions of dollars and 100,000 troops in an alliance to defend the territorial integrity of Denmark and Portugal while the urgent consolidation of security in central and eastern Europe – which requires a limited NATO expansion – is made contingent on Russia's comfort level and on Poland's fulfilment of the EU's encyclopaedic convergence criteria.

Gary L. Geipel, research fellow, Hudson Institute, 5385 Emerson Way, Indianapolis, Indiana 46226, US

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). Translation may be available for letters written in the main international languages.

Subsidies for the arts do matter

From Lord Desai. Sir, It is a constant puzzle to me, as an economist, that intelligent, cultured friends, who enjoy the arts, as Michael Prowse tells us he does ("Shakespeare didn't need a subsidy", June 12) oppose any subsidy for the arts. Why, I ask? If we lived in a society where all goods and services causing externalities were correctly priced so as to reflect the opportunity costs, except for the arts, I would not mind.

The externalities of art are by and large positive, and even neo-classical economists may agree that such a merit should be subsidised. Of course, the subsidy to arts is neither so finely calculated (or even calculable) nor do we live in a distortion-free world. The subsidy to the arts is small beer.

As market distortions go, the US government subsidy of gasoline is a much greater burden

on the American taxpayer and a disaster for the environment. Agriculture has gobbled up huge sums of money in the US as well as Europe. Subsidies for corporate lunches, for mortgage owners, for commercial banks making bad loans – all pass unnoticed.

But the arts subsidy, puny by comparison, is a dragon that Michael Prowse believes must be slayed, though he does not tell us the size of the arts subsidy in total terms or as a proportion of gross domestic product.

Not all the arts are subsidised, even today: it is precisely these very arts which are labour intensive and costly in terms of the rarity of talent of the performers (as judged by the market fees they command) which merit subsidy. These were subsidised by patrons in past times. Though per capita income was lower

than it is now, the distribution of income, and especially wealth, was much more skewed than it is now. It is this unevenness which matters for subsidy more than the size of income or wealth. Today it is difficult for these arts to obtain that kind of subsidy. In terms of purchasing power of wealth, few today can buy on a pyramid, or build a Taj Mahal, or even commission the Sistine Chapel.

Prowse goes on to argue that subsidy encourages a disturbing arrogance among artists or that it isolates the artist from the public. This only shows how weak his case is on rational grounds. Artists have been arrogant and isolated from societies for centuries. Think of Oscar Wilde. Meghnad Desai, House of Lords, Warwick, Westminster, London SW1, UK

Italian way is true democracy

From A.M. Collins. Sir, The tone of your article on the Italian referendums of last Sunday (European Press Review: "Italians suffer from referendum grapes", June 12) indicated a clear disapproval of the wide, possibly trivial, range of subjects being voted upon.

Surely, though, this is a good example of true democracy at work. Maybe if referendums were used more often in the UK the question of Europe would be answered by the people most affected and not by bickering politicians with their own personal agendas.

A.M. Collins, Little Dunstable, Cambridge Road, Berkswich, Herts, UK

Facts about war unproven

From Dr Michael Pinto-Duschinsky. Sir, The VE Day anniversary feature on German grievances ("The scars that have yet to heal", May 6/7) is open to criticism on questions of fact as well as for its interpretations. Certainly, ethnic Germans from eastern Europe were subject to mass expulsions and to brutal treatment in the aftermath of the Nazi defeat. But the article accepts unproven statistics of German deaths. A Chatham House study of Germany's Eastern Neighbours exposed such figures as "highly deceptive" and as "unscrupulous exaggerations". It repeatedly minimises Jewish sufferings during the Nazi

Holocaust, especially when it suggests that many ethnic Germans were subjected at the end of the war to conditions that were worse than Belsen.

There is an uncomfortable resemblance – between a number of the article's "facts" and themes and those found in Hitler's far-right tirade (it even blames British-trained agents for the Nazi massacre, Lidice). For the future peace of Europe, it is to be hoped that its views of post-war history are unrepresentative. Michael Pinto-Duschinsky, senior research fellow, Brunel University, Uxbridge, Middlesex, UK

At liberty not to be a nuisance

From Mr Ernest G. Gobert. Sir, Mr Howard Leigh's letter (June 14) asks Philip Morris to move its smoking section elsewhere. I think the matter goes deeper than this. Philip Morris claims that telling people not to smoke in certain places is an "infringement of personal liberty".

Is it not true that (in the words of John Stuart Mill) "the liberty of the individual must not be thus far limited; he must not make himself a nuisance to other people"? Ernest G. Gobert, Beachwood Drive, Marlow, Bucks SL7 2DH, UK

CURRENCIES AND MONEY

MARKETS REPORT

Market torpor

The dead hand of the G7 summit in Halifax, Nova Scotia was yesterday sufficient to put a dampener on activity in currency markets, writes Philip Gosselin.

The torpor that hung over markets all week continued with traders reluctant to take big positions lest the G7 emerge with a strong statement on currencies.

The dollar spent most of the day trading in a fairly narrow range around DM1.40 and ¥84.50.

In Europe the focus was the Spanish peseta, which again suffered from speculation that a break-down of the ruling coalition could lead to early elections.

Sterling had a steady day, seemingly untroubled by the renewed crescendo of speculation about the future of prime minister John Major.

It closed at DM2.2622, from

DM2.2506, and at \$1.608 from \$1.5955.

One trader said it had been a day of rumours, but no action in the markets. One rumour that did the rounds concerned alleged violence in China; others concerned Spain, where the opposition was said to be preparing for a no-confidence vote, while there were also rumours of the Catalans withdrawing their support for the government.

Two potentially more useful pieces of intelligence emerged from Halifax. One was that the draft G7 communiqué was likely to endorse the April statement from G7 finance ministers and central bankers, saying that an "orderly re-

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Compiled with the assistance of AUTIFIS

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Weekend FT

RETIREMENT ISN'T WORKING.

Fertility is down, life expectancy is up. John Plender examines the implications and hopes that international financial disaster can be avoided

In Shakespeare's day, when Jacques in *As You Like It* talked of "lean and slipshod" retirement, the elderly enjoyed the benefit of a surprisingly flexible pension system. It was called the extended family. Income and risk were spread across the generations in an informal arrangement buttressed by altruism, empathy and fear of what the neighbours might say.

The system also relied on subtly coercive parental rights: children could be manipulated through inheritance and the choice of marriage partners. Indeed, a modern actuary would probably see King Lear as the tale of a man who forfeited his pension by undervaluing the property rights in his daughters. But, all-health apart, the more normal obstacle to a tolerable old age in the late 16th century was simply a lack of children.

Four centuries on, by some perverse quirk of fate, our vast, sophisticated yet less flexible welfare apparatus suddenly confronts the same problem. Fertility is down; life expectancy is up. So there are not enough children in the developed world to swell the ranks of a workforce that has to pay for the needs of an ageing population.

Where once the post-war generation seemed to be progressing smoothly through Jacques' seven ages towards a well-earned retirement, it now finds that the state, even in the richest parts of the industrialised world, is having to choose between reneging on pension promises, or defaulting on public sector debts run up to finance pensions and other welfare spending.

There is the possibility, though not yet the probability, that this could precipitate an international financial disaster that would make the Latin American debt crisis look like a storm in a teacup. Some governments are, as we shall see, on the brink of insolvency. The risk is that Latin American-style hyperinflation could hit Europe.

The private sector, meantime, is delivering pensions

which frequently disappoint, while companies seek to push more of the risk in pension fund investment on to employees, as their pension fund surpluses run down. Lobby groups, such as Britain's National Association of Pension Funds, are calling for the introduction of compulsory saving to cope with the ageing problem. We are going back to the world of Shakespeare but of Dickens' Gradgrind.

While stockbrokers in the 1980s discussed the windfall that the younger generation could expect to reap from inheritance, they now forecast gloomily that family capital will be gobbled up by the cost of providing for the elderly. Increased life expectancy, far from bringing joy, is suddenly seen as a nightmare.

In the UK, old people can now be forced out of hospital into fee-paying homes. This follows the government's abandonment in February of the principle of free care for the elderly in the National Health Service - the thin end of a large and costly private sector wedge.

Since 90 per cent of the cost of healthcare for the average individual in the industrialised countries is incurred in the last six months of life, the debate on euthanasia is set to take on a growing and gruesome economic dimension. In our secular society, suicide may come to seem a logical way for people to protect their dependents.

Everywhere, the assumptions on which people made their financial plans for old age are crumbling. Ageing has become the world's biggest economic challenge. How did this unexpected change of fortune come about?

Consider, first, the nature of state pensions. Most operate on what is known as a pay-as-you-go basis. Instead of putting money aside to meet future pension costs, current pensions are paid from a payroll tax on the workforce.

On the face of it, state schemes do a splendid job. They provide a low-cost life-time savings vehicle for higher

earners, while redistributing income to the less well off. In the industrialised countries this has brought about a marked reduction in old-age poverty. Yet in practice, even where benefit formulae appear progressive, redistribution almost invariably favours the rich, who live longer and so scoop the pool.

Moreover, state schemes are usually introduced when populations are young and growing, and the ratio of old people to workers is low. Politicians can thus win popularity by making generous transfers to older people who have put little into the system. The result is red-

promise does not appear on the face of government budgets. Researchers at the Dutch civil service pension fund estimate that if these undeclared liabilities are included, public debt in Europe would double as a percentage of gross domestic product.

Financiers would call this pay-as-you-go approach to pensions a "pyramid" scheme. Others might call it fraud. The point is that more and more suckers have to contribute, if the scheme is to produce continuing positive returns. This ultimately leads to inter-generational conflict and evasion. Cash flow dwindles until it becomes insufficient to sustain the promised benefits. The fraudulent edifice then collapses.

It has already happened in Latin America. If it is not to happen elsewhere, radical measures are needed to amend the more badly designed schemes. In some countries such as the UK, pension costs have already been reduced. Benefits in the basic state pension scheme have been realigned with retail prices rather than earnings, while proposed amendments to the state earnings related pension (SERPS) will ultimately halve SERPS benefits. The result is that state-dependent pensioners will henceforth be excluded from the general rise in living standards.

So Britain does not face a pensions time bomb. If there has been a fraud, it has been in the surreptitious dismantling of a vital part of the welfare state without adequate political debate. The belief that national insurance contributions constitute a genuine insurance scheme is widespread in Britain. There will be cruel disillusion as the less well off find that their contributions have bought them the right to rely increasingly on a

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NEXT WEEK
Intelligence - is the answer black and white?



Joe Rogaly

A cost we all must bear

Vouchers for nursery education are a symptom of the great upheaval

Mothers who go out to work want all of us, men, women and transvestites alike, to pay someone to look after their offspring. Call it "child care", "nursery education" or "organised provision of au pairs". The effect is the same. It is a huge subsidy for those who would have their cake and eat it, give birth and become chief executive officers of international conglomerates, parturite and participate, indulge simultaneously in the joys of self-perpetuation and the triumphs of self-promotion.

We are speaking, in short, of one of the many costs all of us have to bear in order to finance the assumption by women of their undoubted right to seek fulfillment both in and out of the home. Yes, yes, I know all about your anger, Ms Outraged. Please note the careful language. I am sweating, trembling with fear as I write this. What I might venture to suggest when full of courage, shaved, tie neat and boots shining, is that there are many costs incurred by women's liberation. These are borne partly by farmed-out children, but also by mothers torn between conflicting claims on their time and energies.

None of this means that we can or should return to the

days before the contraceptive pill and universal education. Nor is there any doubt that most mothers who work do so in tedious jobs because they have to; equally, fathers should care for their children. Parenting is not confined to women. True, true, but think about what has happened. The French revolution changed less than was thought at the time. A few heads were lopped off, that's all. The Russian revolution? A mere 70-year blip.

The women's movement is the big one. It probably constitutes the most challenging social upheaval in the two-millennium period now drawing to a close. Western society has not yet adjusted its working parts to accommodate the still-raging whirlwind.

Take just one of those parts. The old mechanism of paying for care of toddlers was simple. The father earned the money, the mother minded the babies. We gentlemen could not lose.

practical among us want to know how to finance the consequences of a more just distribution of life's opportunities between women and men.

One answer is vouchers. A scheme lurking in No.10 Downing Street, beneath the pile of scrunched balls of paper with the words "help" and "how much longer?" scrawled upon them, would allocate scrip worth £1,000 to

Father earned the money, mother minded the babies. We gentlemen could not lose

parents of four-year-olds. That could pay for nursery education, although in the swisher schools a top-up might be needed. The expectation is that the money will be spent where there is a substantial number of private or voluntary kindergartens. How much? Perhaps £1.2bn a year. The arithmetic works this way: 40 per cent of nurseries are in local authority nurseries, and as many again in private playgroups or schools. That leaves a fifth - 135,000 - to be provided for. The Labour local

authorities are capturing as many of these as they can, as fast as possible. So call it 120,000 vouchers, at a grand a time. The prime minister, for the moment in Canada to see whether there is life after Conservative death, is said to have assented to this. If he survives a few more weeks, he may announce it.

We should cheer, and cavil. The government's scheme is heavily influenced by Sheila Lawlor, Dr. Lawlor, deputy director of the Centre for Policy Studies, wants private provision rather than local authority places, which she believes waste money and cast an evil spell on young minds. Her vouchers would be topped-up by parents. The cavil is that this would be a hand-out to double earners on decent salaries.

One alternative is to limit the value of vouchers to £10 per week per child under five. In a report published yesterday, the Institute for Fiscal Studies costs this at £200m a year. The IFS has studied child minding for under-fives rather than pre-school learning for four-year-olds, but its conclusions are useful to either debate. It seems to favour a means-tested subsidy of the cost of care, concentrating on single parents.

Vouchers sound more attractive, partly for Lawlor reasons (they provide muscle

to the user, not the state), but they should be taxed. A Labour government would increase the marginal rate of income tax extracted from very high earners, effectively clawing back most of the benefit from people who do not need it. Hey! I feel better already. This is safer ground than the effects of women's march forward. Let me rest on it for a while.

The widespread use of vouchers, net of tax, is a proposition all parties might investigate. It could apply to other social spending. Lord Skidelsky, he of the Social Market Foundation, has proposed secondary school vouchers, on a top-up basis, as a means of adding privately to taxpayers' money spent on education.

Care of the elderly, overwhelmingly undertaken by long-suffering women, is an area of increasingly shocking neglect. Vouchers for nursing home fees, suitably taxed, could be a cost-effective answer. The Treasury has its doubts, as it regards actuarial projections of the length of life of the indigent aged as unreliable. The costs are not predictable enough.

What is as certain as anything can be is that the cost of nursery school provision, and perhaps of babysitting, will be subsidised by all taxpayers. This is of course quite right. Oh yes indeed.

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INSTRUMENTS FOR PROFESSIONALS

PERSPECTIVES

No sooner had he received the invitation, than Sir Clive Sinclair was on the phone. He was free for lunch most days, he said, but he could not pick a restaurant as he did not know any.

This might be a problem, I replied, as one of the rules of *Lunch with the FT* was that the guest had to choose the venue. After a little thought, he mentioned the St Georges Hotel, which was round the corner from his office.

On the day, I turned up at an unimpressive looking Portico hotel just north of Oxford Circus. Inside, the restaurant had been refurbished; chairs were covered in yellow and orange suede, and French waiters wore beige tunics of sackcloth.

In one of these chairs Sir Clive was sitting, looking more serious than in the familiar press photos, in which he is invariably pictured alongside one of his inventions: a pocket calculator one year, a personal computer the next, then an electric tricycle, and most recently the Zero Emission Transport Accessory, a battery that you strap on to the back of your bike.

To get the conversation started, I asked how sales of the Zeta were going. "Pretty well, thanks," he said, as if replying to a routine inquiry about his health.

As he did not expand on the subject, I studied the menu, remarking on the more fancy names such as "Gâteau of Red Mullet and Dandelion". He kept saying "Ah" and "Yes" and "That's right" in a staccato sort of way, conveying at the same time that he was trying to be agreeable and that he did not know what I was talking about.

I chose the red mullet to start with, followed by a fancy preparation of monkfish. He said he would have the same, with water to drink.

Ten years ago Sir Clive Sinclair was one of the best known inventors in the world. Now he is selling his Zetas by mail order to middle-aged cyclists who cannot quite make it uphill. A few years ago he was due to marry a model less than half his age. Now he is on his own and contemplating moving back home and business from London's West End to an industrial building at the back of the city's King's Cross station.

If I were Sir Clive I would be bitter and sulky. But the man



The father of invention: Sir Clive said he did not know any restaurants and had never played a computer game in his life

Lunch with the FT

A taste for technology

Sir Clive Sinclair saves most of his appetite for his inventions, writes Lucy Kellaway

facing me across the table was dapper and sprightly. "I never think of the past because I am always thinking of what I am going to do next," he said.

He told me about an ultra lightweight pedal bike he is working on that will fold up like an umbrella. He said this was pretty radical, as reducing the weight meant redesigning all the bike's constituent parts. "I'm also interested in flight. I'd love to design a personal flying machine."

As he talked, I struggled with a thick yellow jelly on top of my red mullet gâteau, and

noticed that he had pushed his plate to one side untouched. "Was everything OK for you, sir?" a waiter inquired. "You didn't enjoy it?" Sir Clive looked embarrassed. "I've had enough, thank you. Thanks very much."

Trying not to sound sceptical, I asked if he really thought these projects would succeed. "I've got files and files and files on all these things, just like a journalist building up a story. I never think I'll ever do it. I rate the chances of them happening highly. Yes. Very highly indeed."

He then started to tell me about his interest in artificial intelligence. One day, he says, doctors and teachers will be replaced by machines; we will become so used to conversing with them that we will regard them as people.

The monkfish arrived: another concoction of much handled ingredients. As he toyed with his, I asked (though I already had a good idea of the answer) whether he was a foodie. "No. Absolutely the opposite. Did he ever cook?" "The last time I made anything, I did timed macaroni on

toast. It was very good."

In anyone else this would have been a tiresome pose. But Sir Clive does not need to pretend to be ordinary; never mind the bizarre enthusiasms, at heart he is a thoroughly normal bloke. When the conversation flagged he made polite small talk, asking about my job, and where I live. We talked about how much he liked travelling by bus. I said I drove a Ford Escort, and he said it was a fine car.

Not just polite, he is also pathologically positive. During the course of the meal he said

he never envied other people their inventions, that he loved London, that he thought the Tube was a very efficient way of getting around, that the UK was a marvellous place to be for an inventor.

When I told him that at his new home he would have prostitutes on one side and one of London's largest rave clubs on the other, he shrugged, and said he liked the area because "King's Cross is the best communications point in London".

Another waiter appeared, looking concerned. "Is there anything wrong with the

monkfish, sir?" "No, no. It's fine thanks. I'm not very hungry," said Sir Clive, looking alarmed as an attempt was made to clear away his bread roll. "I'll keep that, if I may."

Floundering slightly, and apropos of nothing, I asked him if he had seen that week's bargain offer in the FT of a digital organiser. To my surprise, he said he had cut the coupon.

"I've never used one of those things, but it looks rather nice. I need something to replace this," he said, showing me a slim address book with pages

cramped full of addresses in tiny, perfect handwriting. Despite having introduced the British public to pocket calculators and home computers, and being credited with teaching a whole generation to write its own software, Sir Clive is no digital fanatic. He claims never to have played a computer game in his life.

Instead, he says, he entertains himself by working on his new products, meeting his friends from Manna (the society for people with high intelligence test scores, of which he is chairman) and playing poker.

I asked whether he was ever tempted to sell out and work for a large company. He reassured me that he was not short of cash - money does not seem to interest him particularly - and that no, he would not dream of giving up.

"I am always turning down consultancy work for other people. It is not what I want to do. I am an inventor. It is difficult to be a good one. People do not realise what you need to do. It is not a question of coming up with an idea. Ideas are 10 a penny. It's about making something happen."

For the first time during the lunch he became almost loquacious and started telling me about the men who invented wheelbarrows and light bulbs. Suddenly he asked: "Why was the car invented at the end of last century when the technology had existed for 100 years before that?"

I said I had no idea why.

"I don't know!" he exclaimed, triumphant. "It's been puzzling me lately. I used to think that new products emerged when technology permitted them. But it's not so. Not at all." The car, the aeroplane, the X-ray were all invented within 10 years of each other, which Sir Clive puts down to a *fin de siècle* effect.

So what will it be this century? The folding bike? He did not take this as a joke but started talking seriously about how the time had come for the electric car.

The bill came, I paid and he thanked me nicely. Infected by his enthusiasm, I said I would take the Tube back to the office. He walked me part of the way there, shook my hand, fixed me with his alarmingly clear eyes and disappeared up a side street for an afternoon of thinking about flight and folding bicycles.

Burning ambition of a lone practitioner

Fire sculpture creates theatre through pyrotechnics. Clive Fewins reports

Ever since November 5 1993, when he removed the contents from a circular flower bed outside his flat and created a bonfire using a 20ft high structure of a warrior's head built from scrap timber, Robert Bradford has been regarded with suspicion by his neighbours.

A conventional bonfire was held on the same spot on Guy Fawkes night the following year but Bradford was not invited. Instead he built "The Terrorist", a creation made from scrap building materials involving two 25ft high model dogs, a terrier and a bulldog, ignited with flaming arrows fired from the roof of an adjoining church and pursued by "warriors" on stilts.

A chorus of cheers from the assembled crowd of 1,200 greeted the bizarre coloured effects as fireworks placed inside the dogs exploded, the models belching out coloured rockets from their mouths as they burned to the sound of beating drums.

The church, a disused Anglican building in the St Philip's area of Bristol, is the site of the New Trinity Arts Centre. The stilted warriors were Bradford's fellow members of the centre, which has been host to two of the eight "fire sculptures" he has created in the past 21 months. Bradford, aged 49, believes he is the only person in Britain practising this form of interactive performance art, which a local magazine dubbed "art-burn". A painter - he gained an MA at London's Royal College of Art - and teacher, Bradford is also a trained psychotherapist. He finances the three days a week he devotes to developing fire sculpture by spending the rest of the week conducting counselling sessions in his large basement flat in a Georgian terrace overlooking the Avon Gorge in the Clifton area of Bristol.

Bradford has not painted a great deal since he completed his psychotherapy training in 1989. However, he believes he will return to the medium when he gets too old for the physical demands of creating large structures from scrap wood and other cast-off materials.



Before the fire: "Entertaining Angels" depicted good triumphing over evil - one of Robert Bradford's fire sculptures

"At the moment, fire sculpture is far too engraving," he says. "It involves having a concept, designing, the physical work of making large structures, and the challenge of finding scrap materials for next-to-nothing. Essentially it is like painting because flame moves and changes like paint, and of course it is very fluid."

He continues: "I try to design my fire sculptures so they burn in a predetermined way. By using different thicknesses of timber in different positions I can control the rate of burning so that some parts burn faster or for longer than others."

The widespread comment which greeted "The Terrorist" convinced Bradford, who plans to write a book on fire sculpture, that he should continue to develop the art form. "People tell me they enjoyed it because it was a total experience that helped awaken the senses and also stimulated their thoughts as they watched

the shapes and colours I had created," he explains.

It costs £300-2400 to make a large fire sculpture like the dogs, Bradford says, and so far he has made little money from his projects, which he has been content to regard as a form of relaxation from the intensities of his counselling career.

"You have to be a bit mad to be interested in both this and psychotherapy, but I find the two an ideal combination," he says. "As an artist I am trying to create things that fire emotional responses in people. I am trying to help them look at - and maybe change - the way they think and feel about things. I think fire sculpture helps people do this."

Bradford's work is now attracting interest from further afield, and he has received two commissions worth around £2,000 each. "If companies and corporate bodies become interested I could end up making more money from it than I do

from psychotherapy."

A builder friend helps Bradford with some of the heavy construction work and directs him to larger sources of scrap timber he finds on building sites. One of these sites was the home for two of his fire sculptures last year: "Man with something in mind" and "Entertaining Angels". The latter was a 30ft tall giant built from scrap timber, with an angel of the same height concealed behind. The giant was designed so the fire illuminated his face, which went through a series of contorted expressions as it burned. Eventually, the giant collapsed, revealing the angel unscathed behind. Ropes attached to the angel's wings gave the effect of the figure rising; good had triumphed over evil.

"With every new fire sculpture I try to refine my technique," Bradford says. "There are endless opportunities to experiment with materials, designs and colours, and with things like fireworks that help create more colour." Of Bradford's two big commissions, one will feature in the VJ-Day celebrations on August 19 in Herne Bay, Kent. For this he is planning to use polythene and seaweed to create coloured steam around the figures.

Bradford says he is often asked why, after spending so long creating a figure, he always burns it. He explains that much of the art is in the colours and effects the fire produces and the technique of achieving this.

"I am happy to burn them. It gives me - and I hope the onlookers - a great feeling of release after the build-up and tension of making them. And the burnings are theatrical happenings. Really the events are just big bonfires, but as onlookers watch the figures being burned and stripped down to their inner framework my hope is that they experience thoughts and feelings that enable them to understand themselves better. This inner stripping down is a parallel process to psychoanalysis and is one of the reasons why fire sculpture appeals to me so much."

"Above all, onlookers find my creations fun - you might say they fire people."

IN STRICT CONFIDENCE

Letters of interest are invited for

ON-SHORE DISMANTLING OF BRENT SPAR OIL STORAGE PLATFORM

Greenpeace believes that the cost estimates used by Shell UK to justify off-shore disposal of Brent Spar are not commercially competitive. They have not been made public.

Greenpeace is inviting commercially competitive tenders for on-shore dismantling of Brent Spar in order to expose these costs.

Greenpeace believes that once these costs are made public, Shell's justification for off-shore disposal will collapse.

Once the sea-disposal route is closed, installations will be dismantled on land. Some 400 other off-shore installations will become available for dismantling over the next few decades.

The advantages to the on-shore industries of this possibility are obvious.

For full details of the "Scope of work" required to fulfil the tender, please apply as soon as possible in strict confidence to Greenpeace, Deutsche Sektion e V, Rambachstr. 1, 20459 Hamburg.

GREENPEACE

FASHION

Designers who see the light

New materials for men's suits can take the sweat out of summer, says John Morgan

Sitting recently on an aeroplane at Geneva airport, I was struck by the sorry sartorial state of British businessmen in transit. Hot, bothered, creased and crumpled, they were rather like bad wine - tolerable in their place of origin but all the worse for travel. Most were wearing ill-fitting, stodgy, heavyweight suits more suited to dank and chilly November in London than to warm Swiss spring weather.

The scene when I returned to London during last month's brief heatwave was equally unappealing. At one end of the sartorial spectrum, droves of City men continued to sweat stochastically in their winter work-wear. In the West End, meanwhile, trendier media types were back into the ubiquitous saggy, baggy and shapeless linen look that might have looked great in the 1980s but now suggests that the wearer's mind is as crumpled as his appearance.

Obviously, none of these peo-

ple knew about the new generation of lightweight, high performance suits designed to take the sweat out of summer while remaining smart and comfortable. These clothes, made in technologically advanced fabrics, are the new face of office dressing.

It is hardly surprising that the big Italian manufacturers are leading the way. With a hotter climate than Britain's and a national inclination towards fashion, they have serious incentives to perfect suits that are light, easy and comfortable to wear but retain a totally tailored look.

First to take the trend seriously was Ermenegildo Zegna, a large, family-owned firm that began as a cloth producer and today has an international business. Paolo Zegna, president of its textile division, says: "Around 10 years ago, we began noticing a change in society."

"Although men were wearing a lot of linen because they found it fresh, pleasant and

lightweight, they were soon tiring of it because it creased so much. We set about creating a woolen fabric that had all the comfort and coolness of linen but did not behave badly."

The result was High Performance. Made from extra-fine Australian wool, the yarn is spun to such a high tension that it develops what Zegna and his colleagues call a "nervousness". He describes the finished fabric as "a very light, breathable and resilient cloth that is ideal for suits, pleasing to wear and surprisingly difficult to crease". High Performance now accounts for a huge slice of the Zegna business.

Brioni, a Rome-based firm, is another to have carved a niche in the high performance market. This season, it is introducing a new, super-lightweight construction called Piuma - which means "feather" in Italian. Indeed, the burden to the wearer is virtually non-existent - which is probably why

Pierce Brosnan sports a

hiscuit-coloured tropical puma suit in the new James Bond film, *GoldenEye*.

It is not just the Italians who are producing high performance summer suits. An increasing number of British firms are at it too - including, rather intriguingly, Gieves & Hawkes, which built its name encasing men in bomb-proof tailoring of the traditionally English variety. Now, it has embraced the brave new world enthusiastically.

"Ten years ago, our customers were looking at 240z cloths," says Robert Gieve. "Today, our most popular summer suit is an 82z cloth." One main reason, he feels, is that "today's businessman lives in a world dominated by travel. What he seeks is a wardrobe that offers comfort to his destination and recovery when he gets there."

Another very traditional British firm, Cordings, is also having great success with its "Summer in the City" suit. Made from a high-twist Austri-

lian merino wool, it has a crisp but soft feel as well as being crease-resistant and lightweight. Available in navy, charcoal and buff-green, it is the sort of suit that takes a man from a business meeting to a dinner date.

Even the high street is into high performance. Marks and Spencer has single-breasted navy wool serge suits in high-twist yarns that are resilient and hard-wearing as well as being easy to wear. In addition, there are charcoal suits that combine a tiny (around 2 per cent) of Lycra with merino wool to produce comfortable suits that move with the wearer but ease back into shape afterwards.

Peter Ruis, menswear buyer for M&S, says: "The great thing about these new, high performance suits is they offer all the versatility of the classic business suit without the weight of the old-style garment, but with a touch of fashion provided by the dry, crisp yarns that are required for

their production."

Other British firms worth looking at are Paul Smith, Daks and Austin Reed, and the French menswear line of YSL.

But whichever you buy, it is important to remember that accessories need to be lighter, too. Shirts should be made in linen, fine sea island cotton or cotton batista. Ties ought not to be too chunky and should be finely woven silks or foulard designs, while cotton hosiery socks look better than woolen.

You can also afford to be more adventurous with colour, as sunshine makes hues that would be inappropriate in winter positively attractive. Add a little Latin insouciance and you should be cool and stylish this summer.

John Morgan is associate editor of GQ magazine.

□ Main picture: Claus Wick-

□ Other pictures: Photography: James Martin

Stylist: Heath Brown

Grooming: Jane Foster



State blue resistance-weave single-breasted suit, 1995, Paul Smith, 43 Floral Street, London WC2. Orange shirt, £37.50, and tie, £25, Austin Reed (some nationwide branches, stockist inquiries 0171-734 6789). Watch by Hublot, £1,600 at the Watch Gallery, 129 Fulham Road, London SW3 and Watches of Switzerland branches



Olive three-button suit, £495, by Daks at Simpson, London SW1. (Stockist inquiries tel: 0171-439 8781). Red cotton shirt, £35, check jacquard weaves tie, £55, both by Paul Smith, 43 Floral Street, London WC2.



Dark grey double-breasted suit, £955, Salmon cotton shirt, £110, and silk check tie, £65, all by Yves Saint Laurent, Rive Gauche, 136 New Bond Street, London W1



Soft summer suit from Ermenegildo Zegna in its special High Performance fabric

How the polo shirt became pukka

With the days of the Raj long gone, Heath Brown lauds a casual classic

Trusty fashion staple of the sports field, the polo shirt has scored high in the fashion collections of contemporary womenswear designers this summer and brought a locker room stalwart on to the high street. Although men have been wearing the cotton piqué classic as part of their casual wardrobe for the past 25 years, women have seldom donned it outside sport.

Soft-knit versions have sometimes been teamed with short cardigans to form alternative twinsets and sometimes elongated versions in fine jersey have appeared as dresses; but the original aerated weave piqué shirt has long been thought of as too male, too dowdy and too reminiscent of old school gym kits.

However, this season a new way of wearing the piqué polo shirt harks back to a pre-war elegance, to the 1920s and that health-conscious era when sunbathing became respectable for the first time, athletic qualities in women were admired and sports-related womenswear was in vogue. Coco Chanel was introducing a more relaxed way of looking chic in sporting

whites and jaunty stripes and a feeling of energetic *joie de vivre* was in the air. This is the look to keep in mind when choosing today's polo shirts.

It was René Lacoste, the French tennis ace, who designed the first true piqué polo shirt in the late 1920s. Only 21 at the time, he wanted a more comfortable alternative to the long-sleeved stiff-collared shirt that was *de rigueur* among male tennis players of the day.

Lacoste's short-sleeved shirt in soft, aerated cotton and with a foreshortened button fly was very different and at first was seen as a bit of a shocker. Good heavens, not only was there no collar stand but the bare flesh of the player's arms was blatantly visible.

The practicality and comfort of the shirt quickly won over critics and soon all tennis players were donning Lacoste polo shirts.

The misnomer, "polo" shirt came about because of its similarity to the heavier long-sleeved sports shirts used by polo players in India and was thought to have been Lacoste's original inspiration for the design. Ex-Raj tennis players



Polo shirt by Lacoste, originator of the genre, £25, in white and colours, with linen trousers, £49.99, from Oasis, 282 Regent Street, London W1 and branches

at Wimbledon recognised the similarities and the name stuck.

Women didn't begin wearing

them for sport until the late 1960s and since then they have been a consistent favourite in almost every sportswear collection. For a long time white was the only colour available but in the late 1970s, as sports clothing began to set the pace in fashion, it began to emerge in every hue and shade. It is not until recently though that the true piqué polo shirt has left the sportswear arena and made it on to the main fashion catwalks.

Today, the piqué polo shirt is high fashion daywear. It comes in plain colours with understated tailoring and knitwear.

Little white cardigans draped over the shoulders, soft tailored baggy white trousers or high-waisted flared short shorts all give the sporting classic an updated St Tropez panache. This summer's Ralph Lauren and Anne Klein collections show good designer examples cut in small sizes to figure-hugging effect. Lacoste and Fred Perry (child sizes will fit adults) are the brands to look for, while Warehouse, Top Shop and Oasis lead the high street with affordable polos. It is this summer's ultimate casual garment.

HOLIDAYS & TRAVEL

Our voyage of over 2,500 miles begins close to the Ecuador and Peru border. It is an unusual opportunity to see an unequalled variety of marine creatures, wildlife and bird-life. We will use our versatile Zodiacs to land on uninhabited islands where sealions, seals, penguins and seabirds thrive in the nutrient-rich waters. Chile's Isla Pan de Azúcar and Peru's Isla Hornos de Alura have rarely been visited by man, and the animals have no fear, allowing us to observe them at close quarters.

Forays into the mainland interiors will include the opportunity to view the Nazca Lines in Southern Peru, the magnificent Lauca National Park on the Chilean/Bolivian border where we should see vicuña, alpaca, vicuña, condor and waterfowl and Chiloe Island, a spectacularly green and beautiful island.



THE WORLD DISCOVERER

Built in Europe in 1974 the World Discoverer measures 285 feet in length, 50 feet in the beam and has a draft of 15 feet. Designed as an ocean going vessel specifically for expedition cruising, she has a cruising range of 8,000 nautical miles and is commanded by European officers.

On board there is accommodation for just over 130 passengers and all cabins and suites have outside views, private shower and toilet. Furnished throughout to first class standards there are spacious public areas, including two lounges, library, and a single sitting dining room serving delicious meals. Spacious decks offer excellent observation areas and an attractive swimming pool. The bridge is 'open' during daylight hours.

VOYAGE OF THE CONDOR

AN EXPEDITION VOYAGE ABOARD THE WORLD DISCOVERER ALONG THE WESTERN COAST OF SOUTH AMERICA
19 October-10 November 1995

THE ITINERARY

DAY 1 Fly London (Heathrow)-Quito via Madrid.

DAY 2 Quito. Arrive and stay overnight.

DAY 3 Quito-Guayaquil. Morning free in Quito. Afternoon flight to Guayaquil and embark 'World Discoverer'. Sail in the early hours.

DAY 4 At sea

DAY 5 Lobos de Tierra-Lobos de Afuera. Explore these magical islands, a haven for birds - see the beautiful lagoon.

DAY 6 Salaverry-Trujillo. Drive to Andean foothills for a visit to the historic city of Trujillo and the nearby ruins of the Inca city of Chan Chan.

DAY 7 Isla Hornos de Alura. A mini Galapagos - nesting thousands of Peruvian boobies, large numbers of sealions and seals.

DAY 8 Paracas (Nasca Lines). Visit the Paracas Reserve where the history of the Paracas tribe is brought to life, or explore the Isla, Ballestas, by Zodiac, or take an optional excursion by air to the famous Nazca Lines.

DAYS 9 & 10 At sea

DAY 11 Arica (Lauro National Park). Explore the city and surrounding countryside including the Inca ruins at the Copacabana Fortress. Alternatively take an optional long day excursion to Laura National Park, located high in the Andes.

DAY 12 Iquique. Explore the town by foot. There is also an opportunity to join an optional overnight excursion to Calama in the Valley of the Moon - an extraordinary landscape of dry river beds, eroded salt mountains and bizarrely shaped geological formations.

DAY 13 Antofagasta. See the harbour with its brightly painted fishing boats and the fish market.

DAY 14 Isla Pan de Azúcar. This protected reserve is home to the largest breeding colony of Humboldt penguins in Chile.

DAY 15 Isla Pajaros. Explore the islanded shoreline by Zodiac, a spectacular area of penguins and southern sea lions and vast cliffs and coves.

DAY 16 At sea

DAY 17 Isla Santa Maria. Visit the Puque Lota and the remote island of Santa Maria.

DAY 18 Isla Mocha. A one-time stronghold of English and Dutch buccanniers and pirates. Here the scenery is astonishing - southern beech, fuchsia and large araucaria trees.

DAY 19 Chiloé Island. Entering the beautiful Chilean fjord area we will visit the historic village of Dalcahue and the city of Castro with its famous brightly painted church and houses.

DAY 20 Puerto Montt. Here in the beautiful fjord country we will disembark and visit the beautiful Bavarian flavoured town. After lunch we will fly to Santiago for a 2 night stay at the Sheraton Hotel or similar.

DAY 21 Santiago. Morning city tour including the Museum of Pre-Columbian Art and Club Hípico.

DAY 22 Santiago-London via Madrid.

DAY 23 London (Heathrow). Arrive in the afternoon.

PRICES PER PERSON

Category 1	£3045	Category 6	£6794
Category 2	£3262	Suite	£7377
Category 3	£3662	Owners suite	£7668
Category 4	£6137	Single Category 1	£6688
Category 5	£6577	Single Category 5	£7250

Price subject to exchange. Price subject to change.

Price includes: Economy air travel, 17 nights aboard the World Discoverer on full board, most shore excursions, 3 nights hotel accommodation in first class hotels on room and breakfast basis, transfers, services of Guest Speakers and Expedition Team on the World Discoverer.

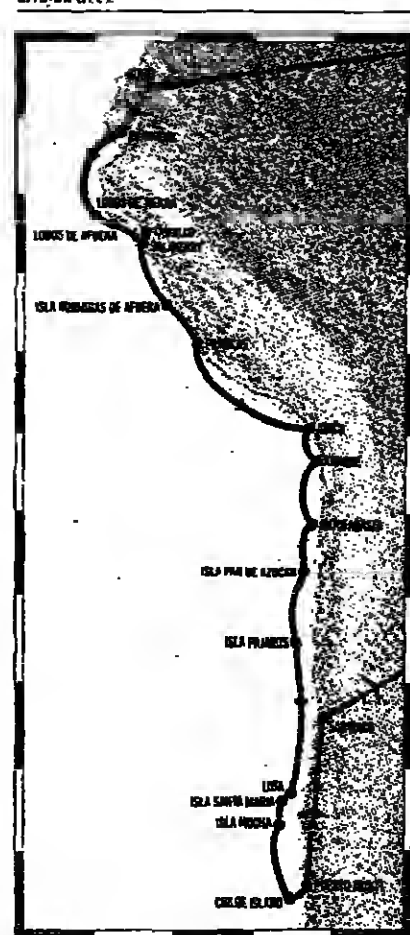
Not included: Travel insurance, airport taxes, UK departure tax £10, optional shore excursions, tips to ship's crew.

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HOW TO SPEND IT



Bold move: this sofa by Zwerlin is 11ft long and costs £1,900, to order only; working mainly in wood, designers Victoria Reid and Paul Kellie aim to banish the air of austerity and discomfort that often surrounds the material

Into a new dimension

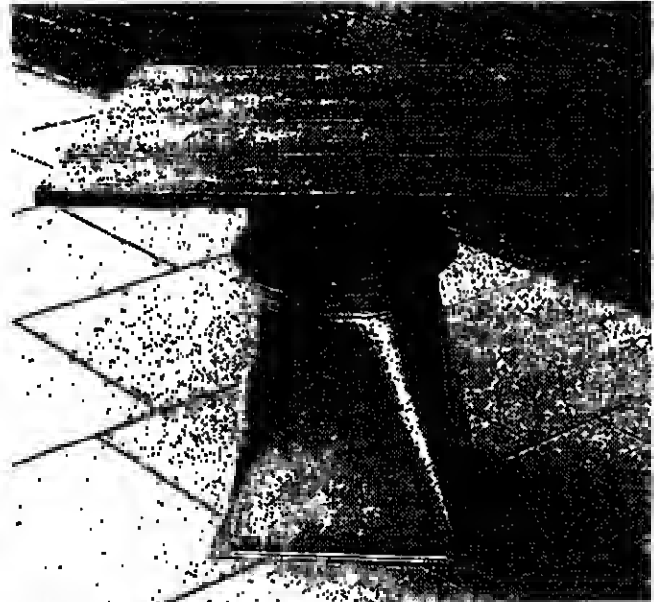
Comfort is vital as designers break new ground in garden furniture. Lucia van der Post reports

Garden furniture seems to fall into two broad ranges: Lutyens-influenced plain wooden benches and tables, austere and authentically English, considered by the raffish purists to be all the best garden requires, and the more rococo twirly wrought iron and intricately carved pieces favoured by those of a less austere turn of mind. In between come the romantics with their penchant for wicker and cane.

But what has largely been missing is anything that smacks of the adventurous, the contemporary or the truly avant-garde.

Into the gap steps Zwerlin, a small and innovative company the fame of which is beginning to spread. With two partners in their 20s, Victoria Reid and Paul Kellie, and about 10 helpers, it has already had orders from actress Miranda Richardson, rock singer Bruce Springsteen (the company furnished his latest bathroom), and Charlie Parsons, managing director of TV production company Planet 24.

As you can see from the splendour of the sofa pictured above, boldness is Zwerlin's hallmark. Not for Reid and

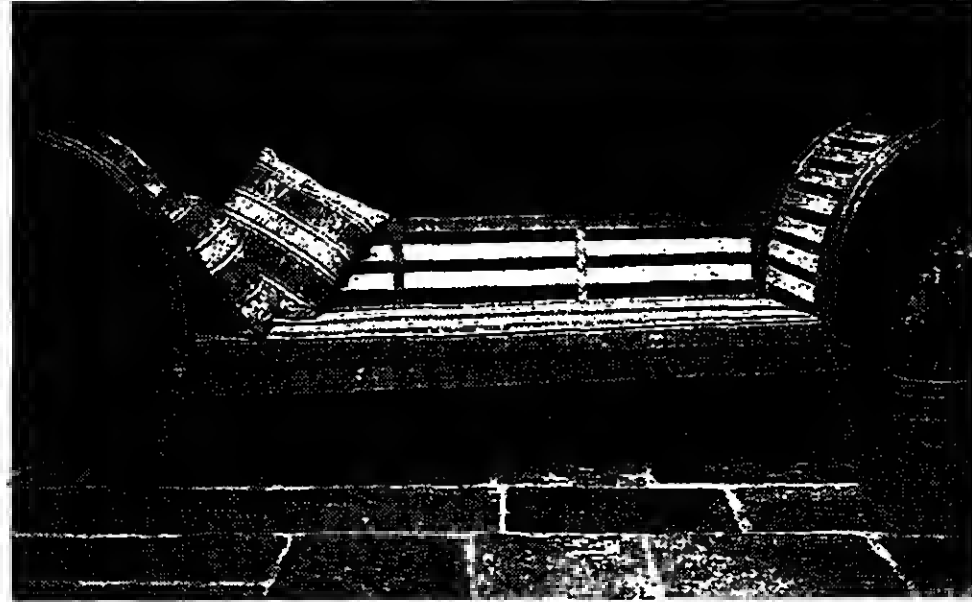


Zwerlin café table with galvanised steel base and softwood top, £110

Kellie the timid or unadventurous - they go, in design terms, for the big one. To go with the sofa there is an equally sturdy library chair with a bookcase built into one of the arms.

Wood is the material they love to work with; they say their aim is to banish the air of austerity and discomfort that often surrounds it.

All the furniture is made to order, but Zwerlin is able to repeat past designs. If, for instance, you love the size and grandeur of the wooden seat photographed here, Reid and Kellie would be happy to make it for you. They could also make it smaller, bigger, wider or in a different colour. In other words they offer a proper bespoke service but at a rela-



Lyner sofa by Crafted Comfort, in solid chestnut for outdoor use, £950, cushions extra, to order only

tively affordable price.

Zwerlin can be contacted on 0956-416623.

Crafted Comfort Furniture Design makes designs which tend to be of the more classic school - gentle, unassertive and calming. But, like Zwerlin, it believes in crafting wood so it is thoroughly comfortable. The Lyner seat pictured above sums up the company's style perfectly. In cherry and ash for conservatory use or solid chestnut if for outside, it is made to order only. Telephone Hugh and Rebecca Walden at the company on 01503-230656.

Another option is provided by The Iron Design Company. As the name implies it specialises in metal furniture and artefacts, and offers a choice of Italianate, rococo and gothic styles. Pieces can be ordered from a mail order brochure, and visitors are welcome at the North Yorkshire workshop by appointment. Contact the company on 01809-778143.



Coffee table from The Iron Design Company, prices start at £195



For evening meals on your new garden furniture, night lights from Wax Lyrical branches start at £2.50

The new, unusual and useful

Lucia van der Post outlines a selection of innovative products

Look out for the copper plant tags by Verdigris. Not only are they much more attractive to look at than their usual plastic counterparts, they are much more durable.

The tags are available in three sizes: the smallest cost \$3.49 for a packet of 10, medium-sized are \$4.75 for 15 and the largest are \$6.75 for 10.

Each tag can easily be engraved with the name of the plant, using a ballpoint pen and following the instructions on the packaging.

Look out for them at garden centres, or at The Chelsea Gardener, Sydney Street, London SW3; The Conran Shop, Sloane Avenue, London SW3 and by mail order from Scotts of Stow (tel: 01249-449111) and Reid & Waterers (tel: 0181-572 3226).

David Rose, who mends and restores anything from much-loved but materially valueless pieces of costume jewellery to precious heirlooms, has moved. He now operates his costume jewellery business from his home in Essex instead of London's Clerkenwell, where he sold, mended, remodelled and restored.

He can replace missing stones, restring pearls, solder broken earrings and bracelets and mend rings, and supplies an estimate before embarking on the work.

Jewellery should only be sent to him by registered post. There is a minimum charge of \$5 plus a standard charge of \$4 for the return packaging and registered post.

Contact him on 0181-550 0661 or write to David Rose Esq, PO Box 111, Bford, Essex IG5 0QY.

Anybody who has had allergy problems using conventional deodorants or antiperspirants might like to know about Pibrok.

Described as a "natural crystal deodorant" made only from natural mineral salts, it looks exactly as it sounds - an attractively shaped piece of crystal.

To use the product, you simply dampen it slightly and rub it over the skin. It sounds unlikely but, after abandoning hope of finding a deodorant that didn't cause some irritation, I can report that it seems to work.

The official explanation is that it prevents the proliferation of bacteria. It also has the added benefit that because the pores are not blocked, toxins can be eliminated without causing any odour. The product itself is unperfumed. At £4.95 it is available from health food shops, chemists and Fenwick of New Bond Street, London W1.

City types in search of a proper city suit and a fine shirt now have another option. Cavenagh & Bertie Wooster has just opened up within the square mile, at 69 Moorgate, London EC2.

This is not the place for the Armani-suited brigade or those addicted to 'Crummey' ties. It is for lovers of tradition who believe 'Bertie Wooster' got it right and that it is hard to beat traditional pin-stripes, chalk stripes, grey flannel and dark blue worsted.

The shop itself - all ebullient wooden cabinets, marble fireplaces, Victorian cast iron banisters and old foundry brass fittings - sets the mood. Here old habits die hard and the benchmark will still be the Jermyn Street-style shirt and the Savile Row-style suit.

The proprietors aim to keep prices very keen, though, and suits, both ready-to-wear and what these days goes under the name of "made-to-order" will start at £250. Made-to-order, for those unfamiliar with the

term, means the suits are made from standard components and adjusted to fit. One fitting is usually all that is necessary.

George Cazenove has-for some years been running Bertie Wooster, a shop in London's Fulham Road, which once specialised in secondhand gentlemen's clothing. However, like all those who venture into this field, he discovered that the supply of good-quality secondhand clothing is erratic to say the least.

The only way to do what gentlemen's clothier Hackett did before him, which was to start making from scratch the kind of clothing the shop had been selling secondhand.

Supplying the shirts is former Royal Scots Dragon Guard Duncan Cavenagh, who has also built up his own successful mail order business, Cavenagh Shirts.

The shirts will be in the Jermyn Street tradition, with different sleeve lengths, long tails, loose-fitted collars, double cuffs and placket fronts available. Prices will start at £25. To complete the look there are silk ties starting at £12.50.

Together they should keep any City chap with a conventional turn of mind happily clothed.

Partnership Walk '94

On September 18th, over 10,000 people joined together throughout the UK and several cities in Europe for Partnership Walk '94 in an impressive demonstration of support for people in the Third World. The event, organised almost entirely by volunteers on behalf of the Aga Khan Foundation (UK), raised funds for sustainable programmes such as: reforestation, irrigation, water conservation and biogas projects, all of which involve close community participation.

The Foundation ensures that 100% of funds raised from sponsorship go to the projects - none are used for administration.

AKF (UK) would like to thank all the corporate donors, including those who wished to remain anonymous, and the entrepreneurs for their contribution to the resounding success of Partnership Walk '94.

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Partnership Walk 1995 will be held on Sunday 23 July in Battersea Park, and six other centres across the UK. The Aga Khan Foundation looks forward to the continued support of their corporate donors.

The Aga Khan Foundation is an international development agency that supports long-term projects primarily in Africa and Asia in health, education and rural development. Beneficiaries are selected without regard to race, religion, gender or political persuasion.



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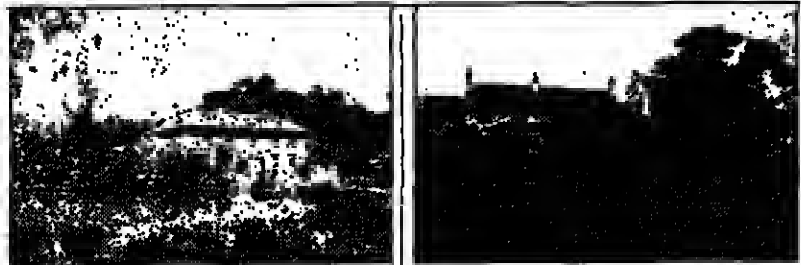
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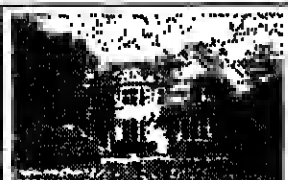
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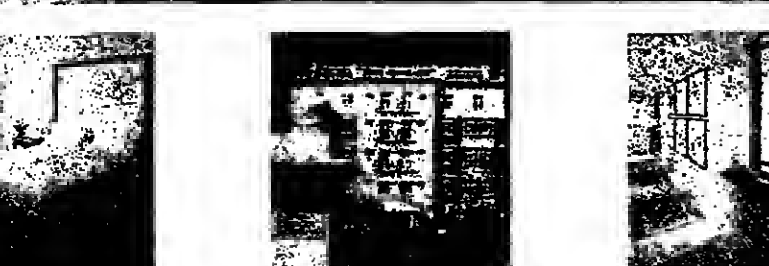
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MOTORING

Retirement isn't working

Continued from Page 1

thin diet of means-tested income support.

In other countries, the politics of reducing benefits are proving more intractable because the gainers from present benefit levels are many, and more alert to the threat to their well-being. Italy is the extreme case, closely followed by Sweden.

The Italian state already pays more than 14 per cent of GDP in pensions, which are often paid out at an absurdly low age. The dependency ratio - the proportion of people over 65 to those of working age - is set to rise from 20 per cent to 48 per cent between 1990 and 2040. If the present value of the future cost of Italian state pensions is included, the country's public sector debt would rise to more than 200 per cent of GDP. Italy has a rich and robust private sector shackled to an unworkable state. It is always dangerous to underestimate its ability to respond in a crisis. But attempts to reduce future pension costs are politically fraught and with the public finances in dire straits, there is an inescapable logic to the position.

If Italy fails to establish responsible government capable of bigger reductions in the burden of pension costs, default on the public debt, whether through inflation, debt conversion or other means, will follow. The temptation is particularly strong now, since government revenues are in surplus if interest costs are excluded from the budgetary equation.

Pensions-induced fiscal stress is also damaging the European economy in other ways. As pension contributions rise as a percentage of the payroll, employers confront a difficult dilemma. If they cannot pass on the cost to consumers in higher prices, or to workers in lower wages, unemployment results. Meanwhile, European industrialists worry that the burden of social cost has reached the point where it undermines their competitiveness vis à vis the newly industrialised countries of Asia.

When governments recognise that the payroll percentage has reached the limits of tolerance, they plunder other budgets - say, for education or infrastructure - which may disadvantage the young and reduce economic growth, thereby compounding the original problem. In the worst designed state pension schemes, which permit early retirement on over-generous terms, the early retirees consume at the expense of national savings and growth.

The ageing crisis thus poses a huge challenge. In the European Union, it threatens the very basis of what politicians in the core countries call the European model, because a high level of social protection is now accompanied by these worries about competitiveness and excessive unemployment. And if the budgetary problems cannot be resolved, demography will wreak inflationary havoc in future. Should it ever come to that, the consequences for the global financial system would scarcely bear thinking about.

Italy, after all, is not like Mexico. It is too large for the DMF, Germany or anyone else to contemplate rescuing. In the event of trouble there would be the risk of a domino effect, in which governments found they were unable to refinance their debt as markets succumbed to panic over the possibility of default across Europe.

Yet the fear of a contagious financial explosion does at least create a powerful incentive across Europe to prevent such an apocalyptic outcome. So what is to be done?

The problem of overgenerous state pensions in continental Europe has prompted calls - often from pensions and investment experts with a powerful vested interest - for more funded pension provision, whereby contributions are independently invested to provide for retirement incomes.

Yet this is no answer to the strain of an ageing population. The real cost of pensions consists of the sacrifice made by today's workforce, which has to consume less so that there are resources left over for today's pensioners to enjoy. That cost is not much affected by a mere change in financing. Nor can it be transferred into the future.

If funding has an advantage, it is more that it makes workers feel that there is some relationship between their contributions and their own ultimate pension. The governmental budgetary process becomes more transparent. In the private sector funding can mean that pension contributions are perceived not as a payroll tax, but as a form of personal saving.

Funding may also increase the national savings rate,

though economists debate how far this is true. In a world of global capital flows, the domestic constraint on investment is anyway more likely to be the availability of profitable projects than the availability of savings.

Yet funded schemes, too, can contain just as many flaws as pay-as-you-go schemes. In the public sector, Africa provides numerous examples of what can go wrong. To take just one case from a recent World Bank report on pensions, Zambia's public provident fund lost 23 per cent of its value each year on average between 1981 and 1988. That was because it invested exclusively in the government's own public securities. And in 1988 more than half the contributions were absorbed in administrative expenses.

In the private sector, meantime, occupational pension funds have been known to suffer from the same solvency problems as state pension schemes. Look at the US motor industry. An ageing workforce, Japanese competition and the shock of disinflation so rocked the General Motors pension fund that its looming insolvency threatened the mighty GM itself. GM's solution was to protect much of the real value of pensions while imposing lower wages on younger members of the workforce.

With occupational pensions there are also problems of inequitable redistribution. Whereas state schemes reward those who were born at the right time, private schemes tend to favour those who have stayed in the same place. Where pensions are related to final pay, people who leave the company are forced to subsidise those who stay. This is the modern equivalent of parental coercion in the extended family.

Such schemes are perfectly designed for a world of unwavering price stability, long-term employment patterns and minimal industrial restructuring - the very opposite, in fact, of the world we live in. Worse, they can provide employers with an incentive to lay off older people, because the actuarial cost of their pension increases as retirement approaches. These people then cease to generate revenue

Privatisation of second childhood may present a huge criminal opportunity

while imposing a needless burden on the state.

In the English-speaking economies the desire of companies to escape from the commitment to guarantee pensions related to final pay has encouraged the growth of defined contribution schemes, in which the size of the pension is related to the investment return on the contribution. While this has less damaging employment consequences, pensions can become hostage to stock market fluctuations.

To cope with this, funds usually adopt a low-risk investment strategy, which of necessity implies lower returns. In the case of personal pensions for the self-employed, returns have been further depressed by the managers' excessive administration and sales costs.

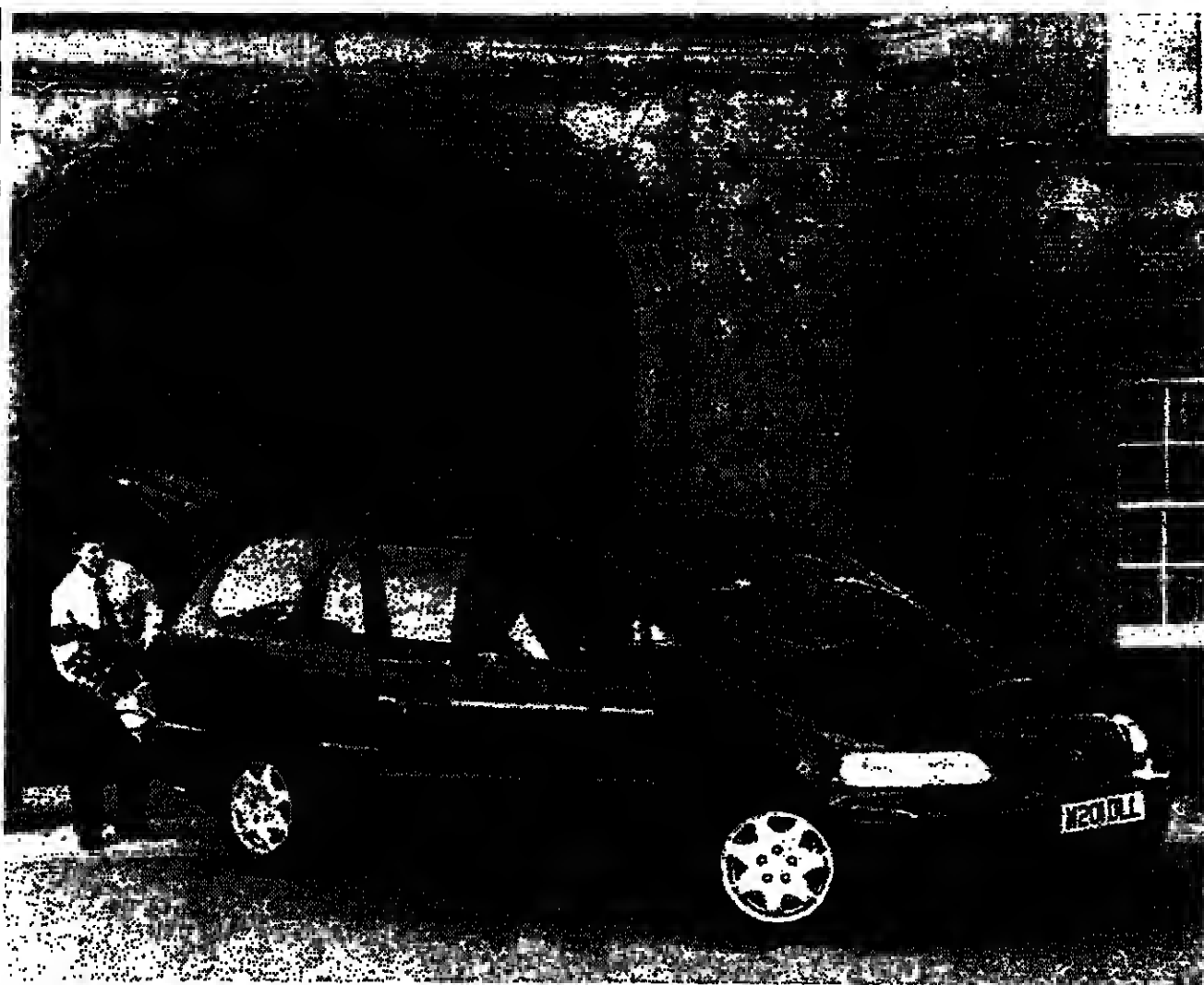
All in all, the pension arrangements of the western world are in a mess. Yet the economic problems can be exaggerated. Many fitter and healthier elderly people will want a later retirement. It is absurd that so many pension systems across the world not only make that difficult, but provide incentives to retire early at high cost to the state.

The elderly are also part of the solution to their own problem in another sense. Providing leisure and care for the old will surely generate some of the 21st century's fastest growing service industries.

The longer-term risk may be that if the fiscal problems are ultimately contained by rolling back the boundaries of the state, the privatisation of second childhood will present a huge criminal opportunity, most notably in the private healthcare industry. The question is whether the state in the 21st century will play a committed regulatory role in this area.

If not, we are back to Shakespeare and what is left of the extended family that the 20th century welfare state did so much to undermine. If some childless folk end up "sans eyes, sans teeth, sans everything" in old age, it is all too likely to be because some other predatory party has made off with the loot.

"Averting The Old Age Crisis - A World Bank Policy Research Report. Oxford University Press, 1994.



The Honda Shuttle: club class seats for six, air conditioning and automatic transmission as standard

More than just a fancy box on four wheels

Stuart Marshall test drives the new Honda and Ford 'people carriers'

Might a vehicle occupying no more road space than a Ford Mondeo estate but offering up to seven seats in a lofty, "one-box" body take your fancy?

If so, Ford and Honda have something new to suit. And four other manufacturers - Citroën, Fiat, Peugeot and Volkswagen - are treading on their heels.

Earlier this month I drove the Ford Galaxy and Honda Shuttle in Scotland. Their similarities were striking, their differences far from obvious.

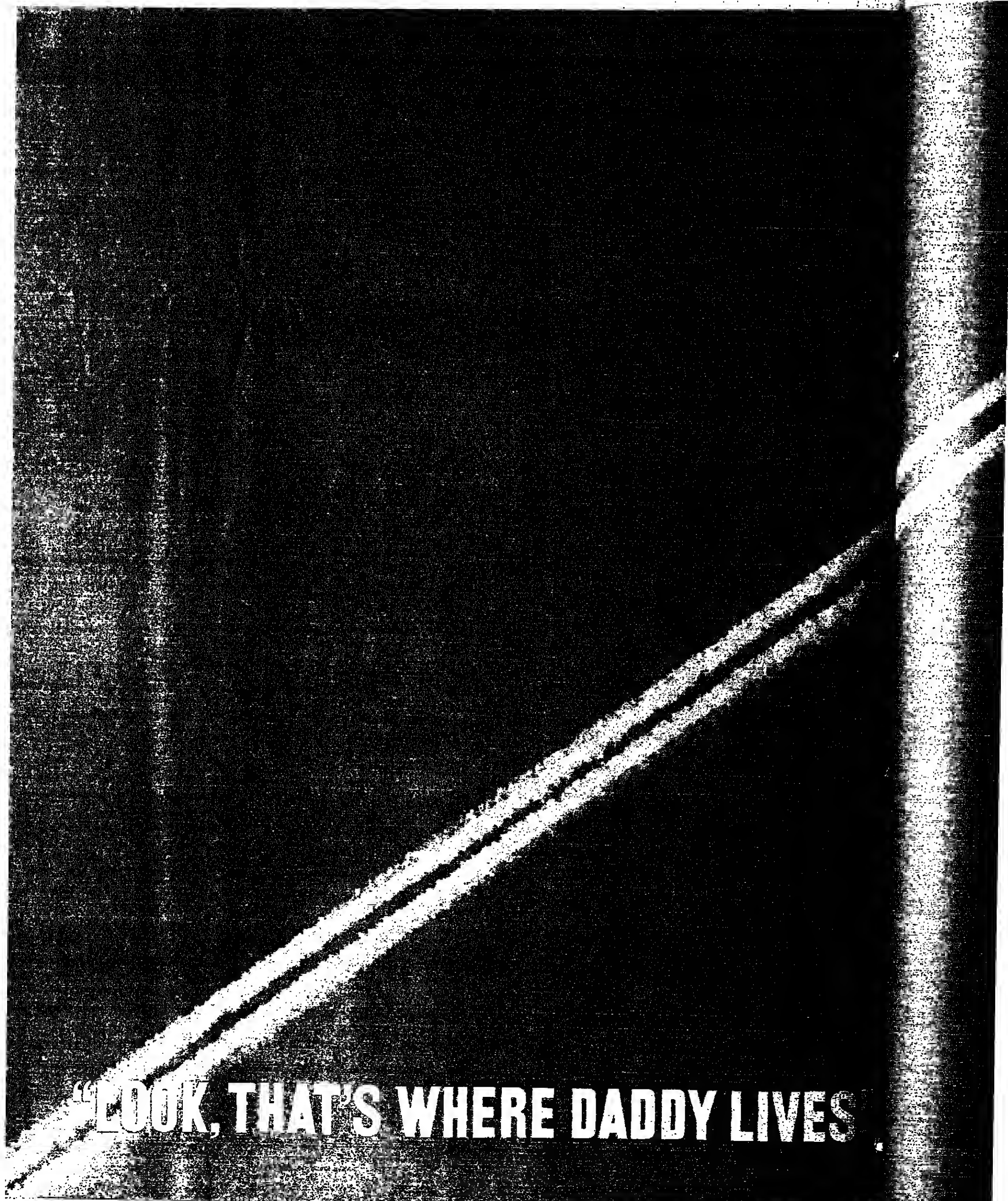
They have the same 233cm/113in wheelbase; the 462cm/185in long Galaxy is just 13cm/5in shorter than the

Shuttle but 12cm taller. Both makers were at pains to say that neither was "just another multi-purpose vehicle or people carrier".

Honda, perhaps a touch fancifully, spoke of the Shuttle as "more like a private jet". Ford described the Galaxy as "an affordable car plus" and, in a bid to seize the marketing high ground, took to calling its rivals "Galaxy-type vehicles".

Galaxy is a joint Ford-Volkswagen development. It reaches dealers next month with three trim levels - Aspen, GLX and Ghia - two engines (a Ford 2.0-litre, 115 horsepower, 4-cylinder and a VW 2.8-litre, 174 horsepower, V6) and a choice of a

Continued on next page



LOOK, THAT'S WHERE DADDY LIVES

15/10/2015

MOTORING / GARDENING



Ford Galaxy: the £15,995 Aspen 5-seat entry model costs little more than a Mondeo 2.0 LX estate.

From previous page

silk-smooth Ford 5-speed manual gearbox or VW 4-speed automatic transmission.

Though all this sounds rather complicated, it is only a beginning. There is also a 1.9-litre, direct-injection turbo-diesel Galaxy - the engine is currently used by VW and

Audi.

A flagship Galaxy Ultimo, with six leather-trimmed, swivelling "captain's chairs" and air conditioning, is on its way and in 1996 there will be a V6 Galaxy with four-wheel drive. Option packs will tailor a Galaxy to every kind of owner from parents of young children to windsurfing, skiing and

mountain biking buffs.

There is just one Honda Shuttle. It has a 2.2-litre, 150 horsepower, 4-cylinder engine with balancer shafts and comes with automatic transmission, air conditioning, anti-lock brakes and twin airbags. I found Galaxy and Shuttle were genuinely car-like to drive though agreeably differ-

ent from one another in several respects. You sit higher than in a normal car though not as high as in a full-size, on-off road 4x4. The view of Highland roads through their steeply slanted windcreens was commanding; they felt exceptionally spacious. Two-up or fully laden, they

rode with buoyant comfort, did not wallow on corners and were rewardingly quiet at motorway cruising speeds. It seemed odd at first that nothing was visible forward of the bottom edge of the windscreen but one soon got used to it. Knowing that only the back bumper protruded beyond the rear window, coupled with

power steering and a tight lock, made parking surprisingly easy.

"The potential market will grow," Ian McAllister, chairman of Ford of Britain, told me. Buyers would not just be mums and dads with several children, important though they were.

Young motorists approved of the Galaxy's individuality; older ones found it easier to enter and leave than a normal car and liked the high driving position. Ford sees the Galaxy appealing to company car user-choosers no less than to retail buyers.

Honda and Ford echo the views of Jacques Calvet, PSA (Peugeot Citroën) chairman, in saying that the lofty new one-box cars will compete with sedans and hatchbacks as well as big estates and recreational 4x4s. (Like Ford and VW, PSA and Fiat's one-box car is a joint venture. It will be on sale here soon in Peugeot, Citroën and Fiat dealerships).

PRICES

- The entry model five-seat Galaxy Aspen 2.0-litre will cost £15,995 and the diesel version, £16,995.
- A seven-seat Galaxy GLX with the 2.8-litre V6 and manual gears is £20,550 and the automatic, £22,350.
- The Galaxy Ghia V6 is £21,500 (manual), £23,300 (automatic).
- The Honda Shuttle costs £22,995.

Gardening

Close kept secrets of bedding out

It is still not too late to attain a profusion, says Robin Lane Fox

Wise virgins have already done their bedding out, but foolish virgins are left with the last of the pink petunias, on sale in strips. Non-virgins might like a word of advice, especially if the best of their summer garden is in flowerpots and they want it to look better than ever.

The first advice is still not in the official handbooks. It is almost impossible to plant wide flowerpots too thickly, but you must water them every other day and feed them weekly with liquid fertiliser, Phostrogen or diluted Tomorite. Abandon old ideas of one verbena or silver helichrysum left to creep round a pot of its own. Pack it in and aim in your mind's eye at the profusion of a grand flower-arrangement at someone else's wedding which spreads far above and beyond its vase.

Once a fortnight, hurry the plants along with a further dose of high nitrogen, easily applied nowadays as diluted Miracle Grow. In flowerbeds, a high dose of nitrogen encourages soft, green growth and mostly evaporates before plants take it up. In crowded flowerpots, competitors draw it in and sustain the performance which you want.

You may not have aimed at generous profusion, but you are not too late to attain it. Every year, I add to flower-potting until late July. Some of my best successes are bought at the Hampton Court Flower Show, in the week of July 4, and planted with 14 weeks of life outdoors ahead of them. They race away on a rich diet and by late August they repay the effort of planting them.

The best growers bring excellent half-hardy perennials to Hampton Court and sell them by the cartload. Perhaps you already have a truly scented heliotrope which is only found among the old perennial forms. If so, buy anything labelled *Argyranthemum* which will thrive in a potting jungle. The long name hides those pink and white flowers like daisies which the rest of us wrongly identify as marguerites.

My own taste has returned to geraniums. They are not really geraniums, but half-hardy pelargoniums which cannot withstand frost. There are also some traps. The most seductive are the Regal varieties whose large flowers have blotches of deep maroon. They look irresistible now when they are coming into flower, but buyers usually see only one flowering and then sit with a view of green leaves and a few buds for the next three weeks. I now avoid the Regals because they lack continuity.

Until recently, there were two main alternatives: varieties with scented leaves and varieties with large, round heads of flower which were halfway to municipal bedding and therefore of dubious taste. Anything called fragrans or crispum is worth buying for

the scent of its leaf, as are Lemon Fancy and Lemon Air. Their flowers, however, are not so exciting, although the plants are a pleasure indoors during the winter. Wanting colour, I usually include some white-flowered geraniums, especially the good white Aphrodite, but the pinks and reds are too much of a shock.

Here, it pays to shop around, looking for the oldest and the newest. Like roses, geraniums have been bred for more than a century and have left us with old-fashioned varieties which have the virtues of irregularity, unfamiliarity, and scent. Our eyes are less accustomed to them. Even the classic scarlet Paul Crampel looks exciting in our age of standardised reds, raised for mass bedding from seed. I have gone back to old Marie Crousse, Mrs Henry Cox,



Lady Scarborough and anything with yellow circles on the markings of its leaves. Feed them with today's fertiliser and yesterday's old, tall varieties seem to go wild.

The best buys of all are much more recent: the Angel varieties which emerged to our notice in the early 1980s. They are the varieties with small flowers, which combine a pink or white ground and a darker maroon marking. They look charming in a profused planting in pots and after three years of experiment, I can safely say that they flower throughout the summer if properly fed. One of the best known is Tip Top Duet, but my personal favourites are Fairy Queen, Darmsden and Hemingstone. They turn up at shows or on the stalls of gardeners' open days. One of the few listed suppliers for mail order is the specialist D.L. Dean, 5 Lynwood Close, South Harrow, Middlesex. Any other Angel variety is worth buying and they all can be multiplied very easily from cuttings.

As a schoolboy I potted up a discarded cutting from an old pink geranium and tried to see if this unwanted piece of greenery would root. It did, and throughout 1956 it grew madly, converting me to gardening and away from geraniums on the mistaken ground that they were too easy and only fit for beginners. Age brings many of us back to our starting-point and now, I think that anyone, beginners included, would like the small Angels which are the latest variation in this heavenly family.



Darmsden Pelargoniums

Why live at 30,000 feet when

you can hold a conference

from your desk?

Why leave the country when

you can brief someone face

to face on your P.C.?

Why travel when you can

make your communications

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BOOKS

Why virtue will not save society

Try turning the other cheek to a mugger, says A.C. Grayling

Every age perceives itself to be in crisis. Things have got worse, we are apt to say, chucking our tongues; crime is up, the quality of our politicians down, the world in a mess. For folk of religious bent, the attitude is that *this* time the end of the world really is nigh.

Such sentiments might be comforting, despite being false, because they preserve a belief that somewhere or sometime the world had that chintzy, smiling, afternoon-tea-time feel that a certain sort of cosy 1950s film promoted. But when people begin rummaging about in these myths to provide solutions to present-day troubles, we are in trouble indeed.

Gertrude Himmelfarb is an historian who has written much on the Victorian world, and in this new book informs us that if only we could return to its values we would overcome problems of crime and illegitimate births in our "de-moralized society". She approvingly cites Mrs Thatcher's robust assertion of belief in Victorian values, and presents us with statistical graphs showing crime and illegitimate births falling throughout Victorian times, only to rise sharply in the decades since the mid-20th century.

If we wish those graphs to fall again, Himmelfarb tells us, we must do as the Victorians did, and embrace family life, cleanliness and godliness. We must be hardworking and orderly. These are virtues, not values; she makes some semantic play of the fact that Friedrich Nietzsche coined the term "values" to mean something different from - and much less pleasant, in her view, than - virtues, and insists that it is virtues the Victorians had, and that we should emulate.

For Himmelfarb the truth in Victorian virtue is summed up in Mrs Nubbles, Dickens's widowed wash-

erwoman who "provided sustenance for her three children in a home that was extremely poor but had the air of comfort about it that comes with cleanliness and order." It is summed up by the Cratchits gathering for their Christmas "feast" (she puts the word in inverted commas herself). It is summed up by the Victorian philanthropists who built libraries and schools. Let us learn the lessons here illustrated, she says, and the graphs will dip again.

This is amazing rubbish. Himmelfarb's game is given away by the

THE DE-MORALIZATION OF SOCIETY: FROM VICTORIAN VIRTUES TO MODERN VALUES
by Gertrude Himmelfarb
Institute of Economic Affairs £12.50, 314 pages

fact that one of her two measures of society's "de-moralization" is the rising rate of "illegitimate births". Here is evidently a thoroughly Victorian view of vice. The very notion of "illegitimacy" is so anachronistic that one wonders whether she understands the problems that modern society faces. Even the Church of England no longer speaks in such terms. For there is nothing remotely wrong with children being born to unmarried parents; but there is everything wrong with children being brought up in poverty. All the marrying in the world did not stop millions of Victorian children being physically and educationally stunted because of the inequalities and inequalities of Victorian society, where poverty was grinding, the streets of London were vastly more dangerous than they are today, and market forces made child prostitution one of the capital's largest employers of child labour.

Those of us whose position on the food-chain is a comfortable one very much like the idea of those lower down the food-chain behaving themselves, being quiet and dutiful and clean, living well-ordered, sober, self-sufficient and self-helping lives, keeping their kids in order and shacking themselves to the iron discipline of mortgage repayments so that they will be sure to go out to work each day at whatever wages they can command. We like it because it means we pay less in taxes (because there is less crime and less welfare to pay for) and can enjoy our privileged position in life more fully. So we urge personal morality on others because it suits ourselves.

But urging individuals to be moral never works. Himmelfarb's solution to crime is to tell people to be clean and godly; imagine the response she would get if she suggested that to a mugger in the street. The only genuinely practical way to get a good society is through communal morality, that is, a conception - arrived at by debate and reflection in our best mood of tolerant good sense - of how as a society we can order our affairs in the direction of fairness and decency. Poverty, ignorance, ill-health, disadvantage and crime are not merely evils in themselves, they are wasteful of the community's resources. Combating them takes imagination and determination, but it also takes capital investment. The Himmelfarb-Victorian solution is to wish vainly that the poor, ignorant and criminal would read Samuel Smiles and become nicer all by themselves; but the only thing to recommend this view is that it costs the rest of us less. But by now, looking around London's streets where the beggars hold out their hands as in those good old Victorian times, we should have learned that cost-cutting costs far too much.



'Homeless! Helpless! Hopeless!': Children were physically and educationally stunted because of the inadequacies and inequalities of Victorian society. Mary Evans Picture Library.

Big girls don't make little women

The authors have lost sight of these stories' relation to real life of the period, writes Joan Smith

What Katy actually did, for readers who have forgotten Susan Coolidge's novel or never encountered it when they were children, was fall off a broken swing. Her punishment for disobeying her aunt's injunction in this way is severe: four years' paralysis, at the end of which she painfully succeeds in learning to walk again on her dead mother's birthday.

Among the adolescent heroines discussed in this study of girls' fiction up to the end of the first world war, Katy is far from alone in having horrible things happen to her. They routinely lose their mothers, fathers and sisters to accidents, disease or even imprisonment; they are orphaned, abandoned, and farmed out to (initially) uncaring relatives in a type of narrative which, as Shirley Foster and Judy Simons observe of *What Katy Did*, "literally reproduces the traditional Christian patterning of fall

from sin, succeeded by a gradual painful rise to a transformed selfhood".

In *The Secret Garden*, Frances Hodgson Burnett's enduringly popular story about an orphan girl whose salvation results from her discovery and cultivation of a neglected garden, ten-year-old Mary Lennox is found alone in a desolate house in India after both her parents die from cholera. Charlotte Yonge's largely forgotten novel, *The Daisy Chain*, deprives the May children of their mother in a carriage accident which also paralyses the eldest girl, Margaret.

Easily the best known among these sickly and accident-prone heroines is Beth March, the angelic

third sister in Louisa May Alcott's *Little Women* whose demise is described in the book's sequel, *Good Wives*. According to Foster and Simons, Beth is an equivocal creation whose extreme femininity and delicacy simultaneously invites admiration and results in her death: she is "doomed in a world which demands that women must ultimately function outside the family which has nurtured them".

Foster and Simons are unlucky in their timing, for the latest Hollywood adaptation of *Little Women* earlier this year has already produced a plethora of feminist readings along exactly these lines.

It also, in sending many adult readers back to the novel for the

WHAT KATY READ: FEMINIST RE-READINGS OF 'CLASSIC' STORIES FOR GIRLS
by Shirley Foster and Judy Simons
Macmillan £25, 223 pages

first time since they were children, exposed the weakness of such arguments on two grounds: the sheer dreadfulness of Alcott's prose, which is shamelessly didactic in its promotion of traditional femininity, and the gradual but relentless acculturation of the tomboyish Jo.

While most of the heroines considered here have to struggle to

womanhood with only an absent or distant mother figure on which to model themselves, the March sisters have the ghostly Marmee telling them what to aim for: "To be loved and chosen by a good man is the best and sweetest thing which can happen to a woman". Even worse, Marmee admits the dissatisfactions attendant on conformity and urges her daughters to follow her own example in suppressing them. "I am angry nearly every day of my life, Jo", she tells her least hideable daughter, "but I have learned not to show it, and I still hope to learn not to feel it, though it may take me another 40 years to do so".

Given that Marmee knowingly

colludes in her own and her daughters' oppression in this way, it is hard not to raise an eyebrow over the claim in this study that *Little Women* "projects a profound trust of the principles and practices that confined women to roles of wives and mothers and that led to the apotheosis of femininity as a cultural icon". The techniques of feminist scholarship, which have produced exciting new readings of classic texts like *Jane Eyre* and *Wuthering Heights*, founder here when applied to a type of literature which so brazenly sets out to instruct.

Indeed, Foster and Simons are so determined to read subversive meanings into the novels under

consideration that they fail to understand their relation to real life. The relevance of Katy Carr's dead mother in *What Katy Did* is not that "the parental patterning diverges from the norm of the nuclear family" but a reflection of the high rates of maternal (and perinatal) mortality which constantly disrupted the Victorian family. The tearful death-bed scenes which punctuate these novels would have been a feared and familiar feature of their young readers' lives. In spite of its title, it is precisely that audience which *What Katy Did* does not take into account; instead, the authors struggle to validate their own childhood attachment to texts which turn out, on much later reading, to feature heroines whose rebellions are half-hearted and ineffectual. In doing so, they have missed the obvious truth that big girls do not grow up into little women.

A legacy of greed, mistrust and envy

Eight years have passed since the death of Andy Warhol, and all that need be said of him now could be written on 15 pages. Within another eight years, 15 paragraphs will be enough, perhaps even 15 sentences, and well before the next century is into its stride, 15 words will be ample for the man who quipped that any fool can be famous for 15 minutes.

The panjandrums of the New York museums who with such absurd enthusiasm claimed greatness for him, who proclaimed him to be at least as important as Picasso, and who even declared that he "changed art history for ever" are now embarrassed by their folly as they witness Warhol's fame evaporate and the value of his pictures fall. Few men had a more destructive influence on art, few so far lowered the standards of achievement on the one hand, and of aesthetic judgment on the other; no man more successfully made being an artist more important than his art, his life a non-stop happening.

Not quite non-stop, perhaps, for among the very few interesting matters raised in Paul Alexander's book we learn that the shots fired by the drugged and demented author of *Up Your Ass* into Warhol's lungs and liver put an end to all vital signs of life, and he was dead for 15 minutes, as well as famous. In 1987, after the excision of his gallbladder, he enjoyed a second, less successful, resurrection, when no one noticed that he had died in the night, and his body was already cold and stiff with rigor, his brain irreversibly damaged, when the efforts to bring him back to life began and succeeded in galvanising



Andy Warhol: few men had a more destructive influence on art

the pale limbs into brief and meaningless activity. We learn too, that throughout this melancholy business, as well as the surgery that preceded it, Warhol's white wig remained in place - an image worthy of half a dozen Hammer Horrors with Vincent Price as drooling surgeon.

DEATH AND DISASTER: THE RISE OF THE WARHOL EMPIRE
by Paul Alexander
Little, Brown £20, 272 pages

The book, however, is less about Warhol than the disorders of his billionaire estate and the shenanigans that trouble it - a corpse consumed by vultures. The two leading characters in this allegorical drama, Ed and Fred, lawyer and executor, one of whom may be in love with the other, at first contentedly carve the ample cake and nibble crumbs,

but greed creeps onto the stage, followed by Mistrust and Envy, with Hatred lurking in the shadows, and a gaggle of advocates, valuers and judges strut the boards as Fred becomes a tragic clown stricken with multiple sclerosis and Ed demands to be paid off with a percentage.

Larded in the style of Harold Robbins with irrelevant biographies of the nurse who emptied the bedpan and the boy who boiled a breakfast egg, jaggedly cut and pieced together in the current mode of television drama, constantly risking repetition as it returns to the dropped plot, this book must be eligible for a prize for confusion, padding, and inflicting sheer boredom on the reader. The author confesses that it grew from three articles in American magazines, but it is, alas, a growth of prickles and suckers fit only for the pruning-hook.

Brian Sewell

Fallen prey to the computer

Proving himself England's answer to Michael Crichton, Philip Kerr has written a compelling if flawed techno-thriller that ruthlessly preys on our fear of science's galloping strides. So well has Kerr tapped the (electronic) pulse of our times, the film rights to this schematic story of a smart building that turns on its dumb creators have been bought for £1m by Working Title. The curious thing about *Gridiron* is that it reads exactly like a novelisation of a film script.

If the setting is new here, the scenario is tritely generic. In a Los Angeles too close for comfort to our own times, "architectologist" Ray Richardson has designed the computer-controlled "Gridiron" building, a temple to clean lines and the God Technology for the leathome

Yu Corporation. The warnings of those in touch with older, more elemental gods fall on deaf ears.

Once the building's computer goes AWOL and starts to pick off the mismatched hunch trapped inside, we are in a situation familiar

GRIDIRON
by Philip Kerr
Chatto & Windus £14.99, 373 pages

to anyone who's ever seen a disaster movie.

What the book lacks is not background depth. Like his last novel, *A Philosophical Investigation*, *Gridiron* casts a steady eye into the future, backed up by copious research and a page-turning potboiler plot. The author smuggles a huge amount of information about his twin demons,

modern architecture and computers, into a ripping yarn.

What is missing is a single credible character. Although there are at least two nominal heroes and one (beautiful, naturally) heroine, Kerr's characters are - aptly - as flat as the figures in a computer game. The only way to differentiate them is with the sliding scale of mortality and morality used in the movies. The rude, fat ones and oddball ones are marked for death; the rude, charismatic ones are destined to attain redemption before they die; and the flawed-but-basically-decent guys will take a beating but win through. Kerr tosses a couple of innocents into the fire, but that is common practice in any movie that wants to up the ante of suspense. Shrewdly blending technophilia, technophobia, vague New Age val-

ues and urban paranoia, Kerr is way ahead of his more literary contemporaries in anatomising the psyche of the 1990s. When creating characters, he is in the remedial class. *Gridiron* has a dumb plot and a formulaic cast; but its setting perfectly captures the mood of the times: just like the best Hollywood blockbuster.

Kerr may have come closer than anyone to writing the first true multi-media hook. This is a mature novel that nonetheless constantly nods at the wide screen. Buy the book. See the film. Await the sequel, *Return of the Supercomputer*. But, judging by the grisly fates suffered by Kerr's cardboard characters, you had better not play the inevitable spin-off computer game.

Nick Curtis

Firmly hooked by an expert plot

Kathy O'Shaughnessy admits to swallowing everything to follow the vital clue

As fans will know, Michael Dibdin writes a superior sort of thriller. His characters are drawn with intelligence, his story is good, his narrative structure even better. Ingeniously, he splits his story into separate tales, and only when they intersect does the plot move into view. But that long delay - where the connections are sensed but not fathomed - provides one of the chief pleasures of the novel.

His latest, *Dark Spectre* is about a series of murders that have details in common. They are noiseless executions, where victims are bound with plastic handcuffs and gagged with Sellotape, and shot at close range with a small bore revolver.

The killings are apparently motiveless: the victims are simply the inmates of a house at a given

time. Dibdin begins his story brilliantly, by bringing us horribly close to one of these murders, even as he keeps the murder concealed from us.

Jamie is playing hide and seek, hidden under the floorboards in the basement. The doorbell sounds, and he can hear quiet male voices he does not recognise. All he sees is a foot - a Nike Air Jordan shoe. Later, Jamie finds his brother and friend upstairs, lying face down on the floor, hands bound. Everyone, including the baby and his mother, is dead.

From there Dibdin sets his stories going, introducing us to his main characters: detective Kristine Kjarstad, who connects the diverse killings with each other, and for whom the Nike shoe is a vital clue, and an English teacher called Phil. Phil's

story begins when he is telephoned out of the blue by an old college friend, Sam, who invites him to visit the commune he runs out west. Phil eventually accepts, and the murders and Sam's commune turn out to be connected.

DARK SPECTRE
by Michael Dibdin
Faber & Faber £14.99, 341 pages

Dibdin is a tremendously skilled narrator of events. He banks his story up with believable contextual detail - whether it is Kristine's difficult ex-husband, or the amusingly complex-ridden character of Kristine's colleague, Steve Warren. He also negotiates tricky bits of narrative, for example, when Phil loses his wife and child, the story has to

contain a note of tragedy without seeming glib. This is tough in a thriller, but Dibdin manages it.

Some parts of the story are a little hard to believe, such as Phil's unspeakable stupidity when he accepts Sam's invitation to his isolated commune. On arrival it is instantly apparent that Sam is a demented psychopath, and Phil seems awfully slow to catch on. Yet by now the hooked reader will swallow anything to find out how events will fit together, and Phil's gullibility is accepted as part of his character.

Only in the first chapter do the dialogue and references feel artificial, self-consciously American. For the most part there is not a false note. Expertly plotted, gripping to the last, *Dark Spectre* has the added bonus of being quietly funny.

ARTS

All the folk at the fair

Antony Thorncroft talks to antique dealers about their trade at Olympia

John Biggs points to the elegant walkways threading through the stands at the Olympia Fine Art & Antiques Fair. "That is the river. We are on the river bank. We have to make ourselves so attractive that the fish swimming along want to clamber up us."

Biggs is a practised fisherman. He turns aside to talk to a young woman admiring a Georgian corner cupboard. After ten minutes animated conversation she departs with some brochures. She wants a corner cupboard for a new home but there are perhaps 50 at the fair and she will take her time. "My father said you could tell if you have a prospective customer if they wear hand made shoes," says Biggs. "It's not true any more. An old lady in a dirty raincoat and handbag held together with Elastoplast bought a £25,000 table from me at the BADA Fair."

Biggs is a third generation antique dealer based in Bideford and trading under the name of J. Collins. Like most dealers, since the recession hit hard in 1991 he has looked to fairs for his living. "Fairs and exhibitions now provide around 90 per cent of my turnover. The public are event orientated."

He is successful, selling good-looking, functional, mainly Georgian furniture, mostly priced at under £10,000. He should clear around £150,000 in turnover at Olympia. He is unusual in not bargaining. "I never reduce prices and I gain sales as a result." He slips away to conclude a deal with an American - for a Staffordshire teapot priced around £250. She is trade and will get a discount. "There is a lot of new business at fairs and 50 per cent of those interested in buying, buy on the spot." They join his list of 4,500 clients, the bedrock of his trade.

Gordon Watson, a Fulham Road

dealer whose stand is stocked with fashionable Art Deco, is equally aware that buyers no longer conform to a class. "Two men in leather jackets and jeans came into my shop just before closing and wanted to look at some Lalique I had in the basement. There had been a spate of robberies and I was about to press the alarm bell. For some reason I didn't and made a sale of £25,000. It was Freddie Mercury and a friend."

In the last three years Watson has learned to love fairs. "You are forced to gear yourself up but there is a definite buzz in the air. Fairs

Fairs are where husband, decorator and wife all come together and make decisions on the spot

are where the husband, the decorator and the wife all come together and make a decision on the spot." Watson believes that the days of the knowledgeable collector are vanishing. "People are now furnishing their homes. Each new client has a span of five to seven years so you must search to get new customers." He has successfully met 35 at Olympia in the first five days.

At that moment one of the vanishing genuine collectors arrives, one he has not seen for four years. A happy reconciliation, and jewellery changes hands. Like most dealers Watson will negotiate a price depending on how much he paid for the object and how much it

will cost to replace. "If you give them a good price on the first deal they are happy and will come back."

The glory of Olympia is its size and diversity. There are almost 400 stands and the dealers range from the Mayfair galleries slumming it in hard times to specialist dealers who cruise the stands like cheerful magpies picking up underpriced treasures. John Hawkins, an Australian dealer, has already bought 20 objects and sold on 15 of them. In contrast, few general dealers are likely to buy from his stand which is the most eccentric at the fair, trading in curiosities - especially if they are stuffed animals.

With shops in Melbourne and Westbourne Grove, Hawkins & Hawkins is the leading dealer in taxidermy and extinct objects, a class of antique for which there is a growing band of genuine collectors. The stand naturally attracts eccentrics. While daughter Emma Hawkins deals with a man who has some dodo bones, John tells of his first five minutes at this year's fair, in which he sold "the finest collection of trees in the world" to a Belgian dealer for around £300,000.

He was sad about it. "The collection should have gone to the V&A. Now it will be broken up." But he cheers up when he talks about the star of his stand, an aardvark stuffed in the 19th century by Roland Ward, the highest name in taxidermy. Its price, \$3,500, has put off most collectors, who expect to pay under £1,500 for their animals; but anyone can see there is an animation and character to this aardvark that makes it special.

Hawkins has turned his stand into a cabinet of curiosities, with the skeleton of an extinct moa, priced at £20,000; peers' coronets from the coronation of Edward VII; and a new buy, a brush to sweep the top of library shelves. The

stuffed kiwi, penguin, and a pair of extinct heath hens have gone.

In complete contrast to the backroom chaos at Hawkins & Hawkins, upstairs among the grander exhibitors the stand of Michael Goedhuis, with its oriental works of art, offers minimalist calm. "I tried to make it look busy to suit the fair but I couldn't live with it." As a result Goedhuis's stock looks expensive. It is not. Prices, especially for early Chinese works of art like bronzes recovered from burial sites, have fallen sharply in recent years as examples have poured into Hong Kong from China. A perfect decorated neolithic pot carries a £8,000 tag; a few years ago a similar example would cost £25,000.

Goedhuis is showing more expensive goods this week at Grosvenor House, hnt, going against the trend, is sceptical about fairs. "I believe people like to come to a shop; it is more civilised." So after years of private dealing he has opened a shop in Mount Street. He is optimistic. "The Chinese will get richer and buy their own art. My future is based on that."

Attendances at Olympia, which closes Sunday evening, are on target to comfortably exceed the 40,000 of last year and sales are good, thanks to purchases by Ivana Trump, Raine Spencer, Michael Barrymore, Brian Ferry and weatherman Michael Fish (who collects fish), among others. There is also a mood of greater confidence at Grosvenor House, where London's grandest fair, with 90 top dealers, opened on Thursday. With the International Ceramics Fair currently at the Park Lane Hotel and the Antiquarian Book Fair due to open at Grosvenor House on June 28, London's outlook for dealers has never been fairer.



Size and diversity: a visitor examines the exhibits on the Olympia stand of Dermot and Jill Palmer, from Brighton

Fergus Wilson

'Rites' with no rights

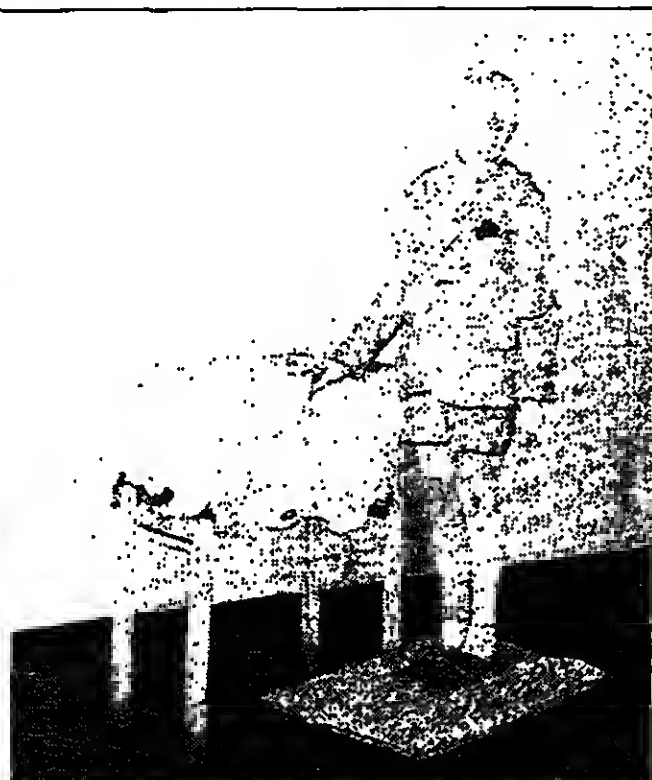
Rites of Passage, the Tate Gallery's principal summer exhibition, is useful and even important, although the work is not necessarily quite so significant. A "rite of passage" is an event that marks the transition from one stage in life to the next. Birth, marriage and death are obvious, but quite as notable is the move from adolescence into maturity, from innocence to experience, a moment frequently marked by ordeal or sexual initiation.

Given such connotations, we might well approach the show with some trepidation, but in the event the artist is proposed not as fearsome high-priest, but as merely the passer, the ferryman who takes us from one experience to another, opening doors as he opens minds. In the catalogue, Stuart Morgan (co-curator with Frances Morris) citing the French scholar, Stuart Cerneau, says that "the passer could be defined as a person of power who uses that power in the service of others. Indeed

his description resembles that of a priest... passer could even be artist." Whatever the artist does may be Rite.

Here the tutelary priest is Joseph Beuys, who died in 1986, an artist right enough but one whose art "was driven by a dislike of doctrinaire and authoritarian political systems, and by the belief that art should work directly to bring about the full realisation of human potential." There it is, the bereft that art should address itself directly to the issues, political and social, of our times, and that the nature of that address should be its justification.

So what corrects the world and fulfills our potential here? Is it Beuys's three wooden tables with flower-pots against the wall, a wonky trestle balanced on four glass jars, and a scatter of broken glass? Is it Hamad Butt's elegant Newton's Cradle of suspended glass balls filled with yellow gas? Is it relevant that Butt died at 32 last year of an AIDS-related illness, one of the great "issues" of our time? Apparently so.



'Remembrance of the First Holy Communion,' 1985 by Miroslaw Balka

Pepe Espallu died similarly in 1993 at 38. His three bottomless cages, hung high and their vertical wires extended to splay out across the floor, make another elegant formal play. Rite, of anything, it is not. Morgan speaks of Espallu being criticised just so for his

"preference for rhetoric, his mere play of sign-systems instead of concern for meaning." His counter-argument is that "the work dealt increasingly with that same apparent vacuity - so much indeed that its opposite was invoked: not absence of meaning but the potential for significance." Heads he wins; tails we lose.

Bill Viola shows yet another portentous video-installation, all flashes, bangs and mumbles in the dark, rising to a crescendo as figures emerge momentarily on the screens. Susan Hiller projects Punch & Judy on video onto four large screens, complete with nanny-like voice-over translation of the dialogue, just in case. "Hiller has researched the respective potential of the right and left sides of the brain..." (Morgan).

Is it cruel to go on? Robert Gober installs a door with a light above it and handles of newspapers on the floor, whereby he "excavates the fissures of pain, anger and resentment embedded in the surface of contemporary American society" (Morris). Jans Strebak has made a dress of raw meat stitched together to draw attention "to the inevitable decay of all animate things" (Morris). John Coplans shows enlarged and detailed photographs of his own naked body, hairy, fat and elderly. "His purview," says Morris, "is the individual as embodied time and experience... His is a nakedness we all share." Indeed.

The carvings and theatrical tableaux of Louise Bourgeois, and especially the mysterious figures of Miroslaw Balka, possessed as they are of a haunting physical presence and genuine ambiguity, come in this company as a blessed relief.

William Packer

Rites of Passage - Art for the end of the Century: The Tate Gallery, Millbank SW1, until September 3; sponsored by Beck's in association with The Guardian.

Television/Christopher Dunkley
Classical enthusiasms

For the first ten minutes or so of tomorrow night's opening programme in a new four-part series on Channel 4 called *The Seven Wonders Of The World*, you may find yourself wondering whether you will last the distance. It is not that John Romer lacks the public school accent of a David Attenborough or a Simon Schama - although for a while it still seems surprising in an "academic" presenter on television. No, what may cause doubt is a combination of enthusiasm and vagueness. For a while Romer seems like a puppy, barking in wild excitement at setting off on an expedition yet uncertain about purpose or destination.

Having raved about the Golden Gate Bridge, and told us that "This series isn't about stones and bones it's about the archaeology of wonder," he takes us into the library at Heidelberg University, dons white cotton gloves and a face mask, and reverently turns the pages of a book while telling us about his grandparents' dictionary. The connection, it seems, is that both contain information on the seven wonders of the classical world. But why does Romer not tell us the title or author of the Heidelberg book, let alone identify the exotic script in which it is written?

No matter. Once he is into

the eastern Mediterranean and chasing down the remains, or the sites, or anyway the reputed sites of the ancient seven wonders, he is in his element. Out in the sunshine, under the umbrella pines, his articulate didacticism stops being embarrassing and becomes contagious. He is one of those people who, even if they have visited a place uncounted times before, can make it sound as though they have just discovered it. By the end of episode one it is clear that his intention is not merely to identify and describe the seven wonders - though he does that and, with the help of the computer graphics brought in by producer/director Peter Spry-Leverson, the results are remarkably vivid - but to take them as jumping off points.

His purpose, judging from the first two episodes, is to show how the Hellenistic civilisations, the societies flourishing around the Aegean in the last three centuries before Christ, were the origin of so

many central aspects of modern life. Taking Christ first (though Romer never puts it like that) he shows how the familiar image of Jesus may well be the image of Zeus as created by Phidias, greatest of all the Greek sculptors. Romer takes us to Constantinople and paces out the area where Phidias' vast statue, one of the seven wonders, looted from Olympia, was installed. He then shows some of the splendid mosaics of the bearded Christ... though I seem to have missed the central piece of evidence showing how we know what the face on the Phidias statue looked like.

Equally intriguing is his account of how the Christian halo was adapted from the sun rays emanating from the head of Helios, the sun god, for whom the Colossus of Rhodes was erected. When Romer points out the holes round the hairline on a Helios bust and reminds you of the Statue of Liberty, two thousand years of history are rammed together

like a collapsing telescope. Romer's description this week of the Greek society which we have admired so much, but in which "such an intelligent bunch of people" could go on for a thousand years without changing their technology because work was feared and carried out by "tools that talk" - slaves - is both fascinating and provocative.

His declaration in next week's episode that "they never did find Croesus's legendary market place but what they did find was the very workshop in which the world was forged" is a splendid introduction to the invention of gold coinage. And his description of the council chamber at Priene (in whose ruins he stands) as the birthplace of modern democracy is all the more powerful because we are able to note for ourselves the similarity to the chamber in the British House of Commons.

The realisation that we owe so much to the Hellenistic period is scarcely new, of course. But Romer is particularly successful at revealing not only the connections in grand philosophical terms, but in the nuts and bolts of everyday life. Having begun with considerable doubt you may well feel by the end of episode two that the rest of the series cannot come too soon.

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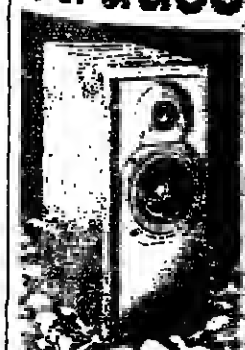
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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with violinist Jaap van Zweden. Zoltan Paskó conducts film and Stockhausen; 8.15pm; Jun 17
Royal Theatre Carré Tel: (020) 320 2500
● Royal Concertgebouw Orchestra: Yevgeny Svetlanov conducts a Russian gale evening; 8.15pm; Jun 24

GALLERIES

Bours van Berlage Tel: (020) 626 0284
● Salvador Dalí - Sculptures and illustrations: retrospective of sculptural work from the 1930's onwards; to Aug 20
● Views of Windsor: watercolours by Thomas and Paul Sandby from the collection of Queen Elizabeth II; to Aug 13
Tropenmuseum Tel: (020) 588 8200
● Nomads in Central Asia: more than 1000 objects on loan from the Russian Ethnographic Museum in St. Petersburg. A multitude of exhibits ranging from a traditional herdsman's tent to embroidered clothing; to Jul 20
Van Gogh Museum Tel: (020) 570 5200
● In Perfect Harmony, Picture and Frame 1850-1920: exhibition of 55 paintings in their original frames brought together by art historian Eva Mendgen. Artists include Van Gogh and Klimt; to Jun 25

OPERA/BALLET

Het Concertgebouw Tel: (020) 671 8345
● The Magic Flute: by Mozart. A semi-staged performance conducted by John Eliot Gardiner and with the English Baroque Soloists and Monteverdi Choir; 7.30pm; Jun 20, 22
Het Muziektheater Tel: (020) 551 89 22
● Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 20, 23

BARCELONA

GALLERIES
Fundació "la Caixa" Tel: (93) 404 60 73
● Postwar Europe, 1945-1965, Art After the Flood: exhibition which aims to present an extensive overview of European art in the 20 years after World War II. There are 527 works by 270 artists in four sections, architecture and design, photography, painting and sculpture; to Jul 30
Museu Picasso Tel: (93) 319 69 02
● Totipot: exhibition of works by the Russian painter, architect, designer and scenographer who was associated with the Constructivist and Russian Avantgarde movements; to Jun 25

BERLIN

CONCERTS
Konzert Haus Tel: (030) 309 21 02/ 21 03
● Berlin Symphony Orchestra: Kurt Sanderling conducts Beethoven and Mozart; 8pm; Jun 17
● Catalina Festival: soprano Victoria de los Angeles is accompanied by the Guitar Quartet from Barcelona to play Guerrero, Sor, Giuliani and Montsalvage; 7.30pm; Jun 18
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Aikin and mezzo-soprano Katharina Kammerhofer. Pierre Boulez conducts Wagner, Bartók and his own compositions; 4pm; Jun 17, 18 (11am)

GALLERIES
Deutsches Historische Tel: (030) 215 020
● Pictures and References to German History: exhibition with more than 2000 paintings, coins, materials and other artefacts that document the history of Germany; to Dec 1 (Not Sun)
Kunsthewerbenmuseum
● Contrasts in 20th Century German Design; to Dec 1
Reichstagsgebäude Tel: (030) 280 8079
● Christo: husband and wife Christo and Jean Claude wrap the Reichstag in approximately 100,000 square metres of polypropylene; from Jun 23 to Jul 6

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Der Rosenkavalier: by Strauss. Conductor Jiri Kout, production by Götz Friedrich; 7.30pm; Jun 22
● Oregin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 5pm; Jun 17
● Tristan und Isolde: by Wagner. Conducted by Jiri Kout and produced by Götz Friedrich; 5.30pm; Jun 18

THEATRE
Freunde der Italienischen Oper Tel: (030) 691 1211
● The Realisation of the Five Year Plan: various acts including mime and comedy to celebrate the theatre's fifth anniversary. In English; 4pm; to Jun 17

COLOGNE

CONCERTS



Constantin Brancusi: exhibition in Paris

Kölner Philharmonie Tel: (0221) 2801
● Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Aikin and mezzo-soprano Katharina Kammerhofer. Pierre Boulez conducts Debussy's "Trois Nocturnes", Bartók's "Concert for Piano and Orchestra" and his own "La Fiasse Nuptiale"; 4pm; Jun 17, 18
● Radio Symphony Orchestra Stuttgart: with violinist Mario Brunello. Gianluigi Gelmetti conducts Ravel, Haydn and Pärt; 8pm; Jun 21

ESSEN

GALLERIES
● Das Alte China: 200 exhibits on loan from Chinese museums and collections document five millennia of Chinese culture. Included are the finds at the Sarungdudul sacrificial graves on display for the first time outside China; to Jul 5

FLORENCE

CONCERTS
Teatro Comunale Tel: (056) 211158
● Zaida: by Mozart, reconstructed by Luciano Berio. Presented and commissioned by the European Mozart Foundation and conducted by Justin Brown. Soloists include Christine Akra/Christiane Vetter and Mihailo Arsenki/Cristian Stas; 8.30pm; Jun 17, 19, 20, 22

FRANKFURT

GALLERIES
Städtel Tel: (069) 60 50 98 1 15
● Gerhard Richter - Ilya Kabakov: photographs; to Aug 27

OPERA/BALLET
Oper Frankfurt Tel: (089) 23 60 51
● Lady Macbeth of Mtsensk: by Shostakovich. Conducted by Guido Johannes Rummelt and produced by Werner Schroeter. Soloists include Valeri Alexeev, Ryszard Karczykowski and Christine Gieselski; 7.30pm; Jun 18 (3.30pm) - 23
● Religion: by Boesmans. A new production conducted by Sylvain Cambreling and produced by Luc Bondy. Soloists include Pia-Marie Nilsson, Doug Jones and Elizabeth Ardam; 7.30pm; Jun 21

GENEVA

CONCERTS
Victoria Hall Tel: (022) 311 25 13
● Swiss Romantic Orchestra: with pianist Dominique Merlet. George Pellivanian conducts Debussy, Ravel, Boulez and Stravinsky; 8.30pm; Jun 22

OPERA/BALLET
Grand Théâtre de Genève Tel: (022) 311 22 11
● Orpheus: by Gluck, French adaptation by Pierre Louis Moline. Conducted by Jeffrey Tate, produced by Anne Sofie von Otter. Barbara Bonney and Elizabeth Futral; 8pm; Jun 18, 21, 24

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● London Symphony Orchestra: with soprano Cheryl Studer. André Previn conducts Strauss' "Four Last Songs" and "Alpine Symphony"; 7.30pm; Jun 18
● Peter Grimes: by Britten. Richard Hickox conducts the City of London Sinfonia and soloists Philip Langridge, Janice Watson and Alan Ople for a concert performance; 7.30pm; Jun 20

● Salome: by Strauss. Andrew Litton conducts the Bournemouth Symphony Orchestra and soloists Nicole Philpott and Ragnar Ulfung for a concert performance; 7.30pm; Jun 24
Queen Elizabeth Hall Tel: (0171) 928 8800
● Emerson String Quartet: the complete Bartók Quartets; 7.30pm; Jun 18
Royal Festival Hall Tel: (0171) 928 8800
● Itzhak Perlman: Yoel Levi conducts Sibelius and Mendelssohn; 7.30pm; Jun 17
● Philharmonia Orchestra: with pianist Paul Crossley, Esa-Pekka Salonen conducts Messiaen's "Turangalila Symphony"; 7.30pm; Jun 20

GALLERIES
Barbican Tel: (0171) 638 8891
● George Rodger: approximately 250 pictures in a retrospective which includes pictures taken during WWII; to Aug 27
Hayward Tel: (0171) 281 0127
● Landscapes of France: exhibition offering a new perspective on French Impressionist painting with works by Monet, Renoir, Pissarro, Sisley, Cézanne and Gauguin; to Jul 28
Photographers Gallery Tel: (0171) 831 1772
● Pulp Fact: Images of the gun. Photographs by Paul Seawright and Joan Barker; to Jun 24
Royal Festival Hall Tel: (0171) 928 8800
● Dialogue in the Dark: visually impaired guides lead participants in total darkness through familiar surroundings; to Jun 30
Serpentine Tel: (0171) 402 0343
● Here and Now: exhibition celebrating the 25th anniversary of the Serpentine Gallery which looks at British art over the last 25 years; from Jun 18 to Aug 2
Whitechapel Gallery Tel: (0171) 522 7888
● Guillermo Kuitca: large scale installations by the Argentinian artist; to Jun 25

THEATRE
Ambassadors Tel: (0171) 838 6111
● The Killing of Sister George: by Frank Marcus. With Miriam Margolyes, Serena Evans and Josephine Tynan; 8pm; Barbican Theatre Tel: (0171) 638 8891
● Measure for Measure: by Shakespeare. Steven Pimlott directs Alex Jennings, Stella Gonet and Tanya Moodie; 7.15pm; Jun 19, 20
Donmar Warehouse Tel: (0171) 369 1732
● Insignificance: written and directed by Terry Johnson. Cast includes Frances Barber, Alan Armstrong, Jack Klaff and Ian Hogg; 8pm; (Not Sun) National, Cottesloe Tel: (0171) 928 2252
● Richard II: by Shakespeare. Deborah Warner's new production featuring Fiona Shaw as the king; 7.15pm; Jun 23, 24 (2pm) National, Lyttelton Tel: (0171) 928 2252
● Absolute Hell: by Rodney Ackland, directed by Anthony Page. Bohemian life in a London drinking club in 1945. Cast includes Judi Dench and Greg Hicks; 7.30pm; Jun 21, 22, 23, 24 (2.15pm) National, Olivier Tel: (0171) 928 2252
● Under Milk Wood: by Dylan Thomas. Directed by Roger Michell and stars Robert Blythe; 7.15pm; Jun 23, 24 (2pm)

● Women of Troy: by Euripides, translated by Kenneth McLeish and directed by Annie Castledine; 7.15pm; Jun 19, 20, 21 (2pm) - 22

MADRID
GALLERIES
Fundación Colección Thyssen-Bornemisza Tel: (91) 420 39 44

CONCERTS
● Zoo Story: by Edward Albee, directed by Bob Friel. Part of the English language theatre festival; 9.30pm; to Jun 24

THEATRE
Théâtre de Nesle Tel: (1) 46 34 61 04
● Zoo Story: by Edward Albee, directed by Bob Friel. Part of the English language theatre festival; 9.30pm; to Jun 24

● André Derain: approximately 70 paintings selected to represent the painter's different artistic periods; to Jul 10
Reina Sofia Tel: (91) 466 30 02
● Brassat: exhibition of 150 photographs; to Sep 25
● Pablo Palazuelo: retrospective of the Spanish artist containing more than 60 paintings; to Jul 10
● Yves Klatz: retrospective with 140 works recently seen in London; to Aug 29

THEATRE
Teatro Infanta Isabel Tel: (041) 521 4778
● Twelfth Night: by Shakespeare. Presented in English by the English Theatre Workshop and directed by Gary Wilde. Set in the 1970's and to popular music of the era; 8.30pm; from Jun 20 to Jul 2

NEW YORK

CONCERTS
Bryant Park Tel: (212) 983 4142
● Jazz at Bryant Park: various jazz artists including Cuban trumpet player Arturo Sandoval and Roy Ayers; from Jun 24 to Jun 28

GALLERIES
Guggenheim Tel: (212) 423 3652
● George Baselitz: approximately 100 paintings and several sculptures spanning three decades of work; to Sep 17
Guggenheim Soho Tel: (212) 423 3652
● Gary Hill: exhibition that examines the artist's wide selection of video installation work; to Jul 20
Museum of Modern Art Tel: (212) 708 9480

● Elizabeth Murray: presents more than 100 drawings, paintings, prints and sculptures by approximately seventy women artists. The works were all created between 1914-1973 and includes works by Frida Kahlo, Linna Popova and Nancy Graves; from Jun 19 to Aug 22
● Helen Chadwick: Bad Blooms: the English artist's most recent photographic series comprising of 13 large photographs of flowers in a variety of viscous liquids; to Jul 1
● Paul McCarthy: video and work installation; to Jul 18
● United Nations in Perspective: architectural development of the United Nations building; to Sep 26
● Video Spaces: demonstration of how artists have released video from its two-dimensional context by its use in three-dimensional space. Eight installations by artists such as Marcel Odenbach, Tony Oursler and Gary Hill; from Jun 22 to Sep 12
Whitney Museum
● Edward Hopper: impact on American art by the artist through 65 works; from Jun 22 to Oct 15

THEATRE
Belasco Tel: (212) 239 6200
● Hamlet: by Shakespeare. Starring Ralph Fiennes in a limited run; 8pm; to Jul 22 (Not Mon)
Elia Tel: (212) 233 6200
● Indiscretions: based on Jean Cocteau's "Les Parents Terribles" in a new translation by Jeremy Sams and starring Kathleen Turner, Eileen Atkins and Roger Rees; 8pm; (Not Mon) Plymouth Theatre Tel: (212) 239 6200
● Chronicle of a Death Foretold: book by Gabriel Garcia Marquez, adapted, choreographed and directed by Graciela Daniele; 8pm; (Not Mon) Theatre Four Tel: (212) 757 3300
● Afterplay: written and starring Ann Mearns. A re-union of four friends in New York; 8pm; to Jun 30 (Not Mon)

PARIS

GALLERIES
Bibliothèque Forney Tel: (1) 42 78 14 80
● Jean-Adrien Mercier: exhibition of cinema, music and book posters used for publicity by the French artist; to Jul 13
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Constantin Brancusi: first ever French retrospective of the Romanian born sculptor and painter who spent fifty years in France. The show offers a chronological and thematic look at 103 sculptures, 98 drawings and 55 photographs; to Aug 21
● Edouard Boubat: photographic works; to Sep 11 (Not Sun)
● Ilya Kabakov: installation by the Ukrainian born artist; to Sep 4
Galerie Tendances Tel: (1) 42 78 61 79
● George Grosz: drawings by the German artist from 1920-32; to Jun 24 (Not Mon)
● Leona Tel: (1) 42 60 39 26
● Hans Merming: exhibition of paintings by the Dutch master to commemorate the 500th anniversary of his death; to Aug 14
Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
● Marc Chagall: exhibition that charts the development of Chagall's distinctive style; to Sep 17
Musée Du Petit Palais Tel: (1) 42 85 12 73
● Carthage: history, its impact and resonance; to Jul 2

OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Ballet Frankfurt: presents the William Forsythe choreographed "Eidos: Telos"; 8.30pm; from Jun 19 to Jun 24

THEATRE
Théâtre de Nesle Tel: (1) 46 34 61 04
● Zoo Story: by Edward Albee, directed by Bob Friel. Part of the English language theatre festival; 9.30pm; to Jun 24

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de Young Museum Tel: (415) 883 3330
● Birthplace of the United Nations: exhibition of historic objects and fine art related to the signing of the United Nations charter in San Francisco 50 years ago; to Jun 26
● Facing Eden: 100 years of landscape art in the bay area. A broad selection of works in all media including painting, sculpture, graphic art, photography and landscape architecture; from Jun 24 to Sep 10
San Francisco Women Artists Gallery Tel: (415) 552 7392
● What a World: paintings and sculptures by local artists including oil monotypes by CJ Dehoog; to Jun 30

VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 13 63
● André Previn and Friends: jazz concert with Previn playing piano, guitarist Muellet Lowe and bass Ray Brown; 7.30pm; Jun 24
● Viennese Symphony Orchestra: with soprano Charlotte Margono, tenor Herbert Lippert and bass Alfred Muff. Wolfgang Sawallisch conducts Haydn's "Pastorale"; 7.30pm; Jun 22, 23
Wiener Konzerthaus Tel: (1) 712 12 11
● New York Philharmonic: Kurt Masur conducts Strauss and Beethoven; 7.30pm; Jun 20
● Viennese Symphony Orchestra: with tenor James Wagner, Raphael Frutbeck de Burgos conducts Berlioz's "Grande Messe des Morts"; 7.30pm; Jun 19, 19

GALLERIES

Kunsthalle
● Spanish Surrealism: exhibition exploring the contribution to the Surrealist movement of various regions in Spain. Included are works by Picasso, Miró and Dalí; to Jul 16
Österreichische Nationalbibliothek Tel: (1) 53 370 410-75
● The Coptic Civilization: a look at Coptic civilization, their education system, religion, everyday life and business; 5pm; to Oct 1

WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Uri Shoham. Christopher Hogwood conducts an all Mozart programme which opens the Mozart Festival; 8.30pm; Jun 23
● National Symphony Orchestra: with pianist Uri Shoham and singers from the Washington Bach Consort in an all Mozart programme; 8.30pm; Jun 24
Wolf Trap Tel: (703) 255 1860
● National Symphony Orchestra: selections from 1940's movie scenes. Peter Bay conducts Adkinsell, Hermann, Berlioz, Rodgers and Tchaikovsky; 8.15pm; Jun 17

Freer Gallery Tel: (202) 357 2700
● Whistler and Japan: exhibition examining the Japanese influences on the American expatriate artist with 31 paintings, drawings and prints created in the 1860's and 70's; to Jan 1
National Gallery Tel: (202) 737 4215
● James McNeill Whistler: retrospective of the expatriate American artist with more than 200 works; to Jul 20
● Piet Mondrian: exhibition of 147 works on the 50th anniversary of the artist's death; to Sep 4
● The Breakthrough Years: more than 40 paintings by one of the pioneers of Abstract Expressionism, Arshile Gorky; to Sep 17
National Museum of Women in the Arts Tel: (202) 783 5000
● Sogonisoa Anguissola (1532-1625): a renaissance woman. The first showing in the US of 24 works. The exhibition includes intimate family portraits exemplifying the times in which she lived; to Jun 25

THEATRE
Folger Theater Tel: (202) 544 7077
● The Merchant of Venice: by Shakespeare. Commemorating the 400th anniversary of the play, this production is directed by Joe Banno; to Jun 25
Kennedy Centre Tel: (202) 467 4600
● Angels in America: Perestroika. Part Two of the Tony Kushner award winning play about politics, sex and religion. Stars Jonathan Hadary; 7.30pm; to Jul 9 (Not Mon) to May 31 (Not Mon)

● The Complete History of America (Abridged): by the President of America, from Spain 1492 to the election of Bill Clinton, all in 90 minutes; 7.30pm; to Jul 3 (Not Mon) Studio Theater Tel: (202) 332 3300
● Bessie's Blues: written and directed by Thomas W. Jones II. A musical portrait of blues legend Bessie Smith; 8pm; to Jul 5
The Source Tel: (202) 332 2150
● Hamlet, The Tempest and Twelfth Night: presented by the Shenandoah Shakespeare Express; 8pm; from Jun 20 to Jul 2
Woolly Mammoth Tel: (202) 488 3300

● Wanted: book and lyrics by David Epstein and Al Carimine. Musical from the 70's directed by Jeff Church; 8pm;

ZURICH

GALLERIES
Kunsthaus Zürich
● Moving Out: photographs by the American artist Robert Frank; to Jul 10
Rietberg Zürich Tel: (01) 202 45 28
● African Sculpture: 500 year old sculpture from West Africa; to Sep 3

CHESS

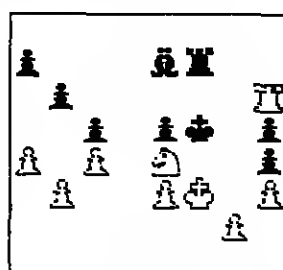
Last year was confusing for followers of the international game. Two rival world championships were in full swing while the old guard of Kasparov and Karpov vied for supremacy with the rising generation.

Grandmaster Chess, by Glenn Flear (Cadogan, 192pp, £10.99), reviews the year's events and provides an enjoyable in-depth analysis of 41 key games. Flear, himself a GM, explains some much-debated encounters by gathering together commentaries and analysing critical positions. Some were quite extraordinary. The collection includes Kasparov allowing Lasker two queens, Karpov's missed chance to draw with Korchnoi by promoting to knight, and the draw of the year between Anand and Kamsky where both players offer both rooks.

This miniature from Flear's book is also replete with sacrifices. (V. Apokian-L. Khennik, Tilburg 1994).
1 e4 e5 2 Nf3 e6 3 b3 a6 4 Bb2 Ne5 5 c4 f6 Black plans a long diagonal sacrifice to muzzel the WB, but d6 is less eccentric. 6 Be2 Nf6 7 Qd2 e5 8 Nf4 Bb6 9 Bb5+ g6 10 Bxg6+! A speculative sacrifice, justified by Black's odd formation. bxc6 11 Nxg6 Rg8 12 Qh5 Nf7 13 f4! exf4 14 Nc3 Be5 15 Rxf4!

If now Rxf6 16 Qxg6 Bxf4 17 Nd5 threatens 18 Qg5 mate. Bxf4 16 Nd5! Nee! The best chance. The obvious Be5 17 Bxe5 fxe5 fails to the calm 18 b4! (stopping Qg5) with no defence to 19 Rf1 and 20 Nf6+.

17 Nd4! d6 18 Rf1 Rg7? Best is Rxf6! 19 Nxg6 Be6 20 Qh7 b5! and it is still unclear.
19 Bxe5 fxe5 20 Nd5 Kd7? Qg5 holds out longer, but 21 Qxg5 Nxf4 22 Rf8+ Kd7 23 Nf6+ gives White two extra pawns.
21 Qf5+ Ke8 22 Nf6+ Resigns.



Chess No 1060
M. Illescas vs D. Hergott, Mexico City 1994. Should White try (a) 1 Rxf5- (b) 1 g4+ (c) 1 Nd5+ (d) 1 Rf6 or (e) another move?
Solution, Page XV
Leonard Barden

BRIDGE

Today's hand from match play teaches a valuable lesson. Here is Looking after Junior:

N
♠ 8 5
♥ A 7 6 4
♦ A 8 4
♣ K 10 8 3
W ♠ 9 6 2 ♣ A 7 3
♥ Q J 10 8 ♥ K 9 4 2
♦ J 6 5 ♦ Q 3
♣ Q J 7 6 2
S
♠ A K J 10 4
♥ 3
♦ K 10 9 7 2
♣ A 4

South was dealer, and opened the bidding with one spade. North replied with two no trumps, and South's rebid of four spades concluded the auction.
West led queen of hearts. East dropping the nine. Winning with dummy's ace, the declarer returned a spade, finessing his ten. This lost to the queen, and West led his knave of hearts, which was ruffed in hand. The declarer

cached ace of spades, then the king. East showing out. With trumps breaking 4-2 and the diamonds not yet set up, South had lost control, and the contract was defeated.
Not a good exhibition. Let us replay the hand and show some better technique. When playing with a two-suited hand it is almost always correct to care for the side suit before drawing trumps - this hand is no exception. At trick two we cash the diamond ace, cross to the king, and concede a trick to the knave.

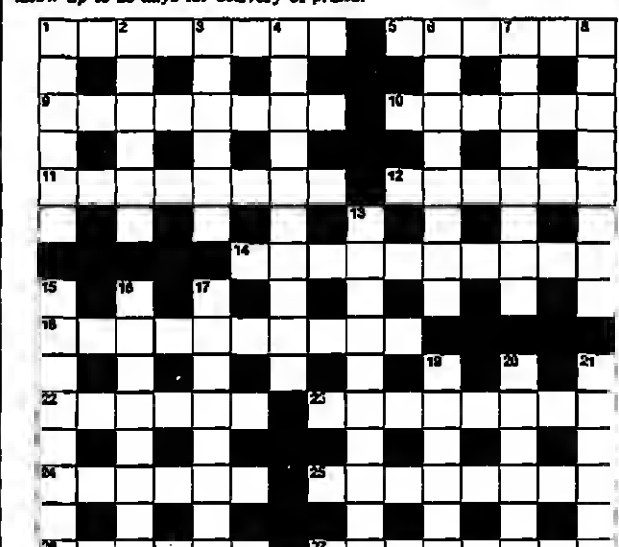
West forces us with another heart but we are not worried. Provided that trumps are not worse than 4-2, we will make our contract. We cash ace and king of spades, both the defenders following, and now we run our diamonds. We are content to give up two trump tricks, whether they are divided or both in one hand. Taking the trump finesse is fatal.

E.P.C. Cotter

CROSSWORD

No. 8,790 Set by DINMUTZ

A prize of a classic Pelham Sovereign 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of 25 Pelham vouchers. Solutions by Wednesday June 23, mailed to Crossword 8,790 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 8NL. Solution on Saturday July 1. Please allow up to 25 days for delivery of prizes.



Name _____
Address _____

ACROSS
1 Prepare for the night in Whitehall, say? (8)
5 Shaded seat on a jumbo (6)
9 Do in a battery? (3-5)
10 Fast time, one-fifty, for the pulse? (6)
11 Crushed pear, if it is something to wet the appetite (8)
12 Chard body of police off (6)
14 Tricky goody, type of job for Carter? (10)
18 A pitcher on the table? (6-4)
22 Bolt from a royal altercation in Anglo-Saxon (6)
23 Tea every day, we hear, for the padre (8)
24 Cordial characters from Ealing, possibly (6)
26 Christian, insubordinate sort in the main (8)
28 Soprano to make a dashboard ruse? (6)
29 To colonise again, let trees be put all over the place (8)

DOWN
1 To warn up, troubled earth is absorbing energy (6)
2 Watch one who captures game (6)
3 What is used as means of defence on the field? (6)
4 Throwing into light by lighting (7,3)
5 Smart clock administrator? (8)
7 He unearths Lupin for example (6)
8 Break from shady oil arrangement (6)
13 Metropolitan works on dwelling? (5-5)
15 Cards in sequence without cheating (6)
16 Transport across? (6)
17 Surface-to-air missile (6)
19 Flying hours when computer is working (6)
21 Distorted, some diamond ruefully (6)

Solution 8,789

ACROSS
1 TO H A G E E
5 A L I E S M I D W I N T E R
9 C O L L A P S E
10 C O U N T D O W N
11 W I N D S W W
12 N O T E D I E T A R I A N
14 C O U N T D O W N
18 E S T I M A T E
22 I N N O V A T I O N
23 T H W A G G E R
24 C O U N T D O W N
26 S E A L A N D
28 I N T A I L E D
29 D I S T A N T

DOWN
1 A B E R D E E R
2 R A I D I N G R E P U L S E
3 P E N T A G O N
4 L A S H P I C C O L O N I S T
5 A T S W O P
6 N U M B E R G L I E R S
7 E T H E R
8 R E G U L A R V I O L I N
9 T W W W
10 H E R I T A G E T O P E
11 S A N A T A R Y
12 I N K W A S H S V E R G E
13 S E A T A B L E
14 D I S T A N T

WINNERS 8,778: C. Albers, Newcastle upon Tyne; GM. Heal, Brechfa, Dyfed; B.C. Jarvis, Lowestoft, Suffolk; Miss S. Rose, Lydney, Glos; M. Smith, Prestatyn, North Wales; H. Westwood, Calne, Wiltshire, Wilt.



Peter Aspden

The antecedents of Essex man

The Sophists advised a rising middle class, whose wealth enabled them to acquire arms. Sounds familiar?

Amid the generally rancid stench of the Scott inquiry into the arms-to-Iraq affair it is most pleasing to detect some top notes of tact and grace. I refer, of course, to the alleged description in a draft extract from the report of William Waldegrave as prone to "sophistry" in one of his explanations to the inquiry.

The government's opponents may be baying for blood, the media setting themselves for the kill, but the dominant tone of the proceedings so far has been cool, muted, almost gentlemanly.

While many continue to see the government-toppling potential of the inquiry, I am not so sure: nobody ever lost an election by

being compared to a hunch of ancient Greeks.

And hereby lies a tale: for the charge of sophistry is one which is too superficially made in contemporary circles. The brand new Concise Oxford Dictionary, in which one can now look up the meanings of natch, telecottage and acquaintance rape, offers a familiar definition of this truly ancient word: "sophism: a false argument, especially one intended to deceive".

But that does not tell the whole story. For the Sophists of ancient Greece have long suffered an extremely bad press. As befits the root of their name, they originally claimed to be teachers of knowledge and virtue. In Homer, a

sophia denoted a skill of any kind; the word *sophistes* came to mean a skilled workman or artist and was soon also applied to diviners, poets and musicians. No references to falsehood or deception here.

But there was a crucial political dimension to the Sophists, for they were teachers who found their market in democratic cities such as Athens among a rising middle class of well-to-do craftsmen and traders whose wealth had enabled them to acquire arms. They, in turn, wanted to be able to challenge the old landed aristocracy for leadership by learning the arts of rhetoric and logic, so they could speak effectively in the assembly and share in the arts and culture of their city.

Sounds familiar? Is this not a little like the essence of Thatcherite Conservatism, with its assault on the British establishment and its championing of ordinary people? Could the Sophists have been the antecedents of Essex Man? I am not the first to draw such parallels.

Some years ago, I was talking to that great American journalist and democrat, the late L.F. Stone who, in his passion for free speech had fallen in love with ancient Greece, and begun - at the age of 70 - to learn its language.

He was convinced that the Sophists were Jeffersonian figures who only antagonised their contemporaries - and posterity - because they affirmed unequivocally the

equality of man. The fact that they charged for their services and spread such radical ideas among the citizens of Athens provoked the wrath of such well-connected glitterati as Socrates and Plato, who preferred to digress into a semantic fog at the drop of a glass of *retina* rather than address the pressing social issues of the day.

Thus, in Stone's view, history got it wrong. It landed the stubborn, obfuscatory and frequently cynical arguments of Socrates - that neither knowledge nor virtue was teachable - and mocked instead the upwardly-mobile Sophists who only believed in disseminating the skills of rhetoric and speech-making because they thought it would lead to wisdom.

Stone's greatest hero was Antiphon the Sophist, of whose writings only fragments remain. He was possibly the first theoretician of the welfare state, believing that the chief cause of dissension in society was inequality of wealth and concluding that the rich "should be encouraged to help their neighbours".

It sounds like a happy principle, but not too many people have bothered to put it into practice over the past 2,500 years. Whether you can use it to justify selling arms to Iraq is highly debatable, but, as has been noted by Socrates, Plato and Sir Richard Scott, it is amazing where a deft argument and a smooth tongue can take you these days.

Private View / Christian Tyler

Analyst of a disturbed generation

It is a difficult age for young people, says child psychiatrist Michael Rutter. But can we discover the reasons?

When it comes to the problems of youth, does anything change? "The world is passing through troubled times," writes a social commentator. "The young people have no reverence for their parents. They are impatient of all restraint; they talk as if they alone knew everything, and what passes for wisdom with us is foolishness for them."

The words were written by Peter the Hermit, a monk Crusader, at the end of the 11th century. In 1952 they were quoted in J. Raven's *Human Nature*; and a fortnight ago they reappeared in a fine fat book co-edited by one of Europe's foremost child psychiatrists, Professor Sir Michael Rutter.

Sociology is not everyone's idea of bedtime reading, any more than is that other soft science, economics. But Rutter's tome, edited with David J. Smith, a criminologist from Edinburgh University, is the sort of Rough Guide to youth to which every headteacher, civil servant, legislator - and parent - should have access.

Its central finding is bleak: things do change. Over the last 50 years in nearly all developed countries there has been a marked increase in "psychosocial disorders" among the young (ages 12 to 28). This is shown in increased rates of crime, drunkenness, drug abuse, suicide and suicidal behaviour, depression and (possibly) the eating disorders anorexia and bulimia.

Beneath this sombre conclusion lies a very large body of research collated from all over the developed world. It throws up some interesting - as well as some unsurprising - observations:

- The post-war commercial "youth culture" may have insulated young people from their parents' influence.
- Problems began during an economic "golden age" between 1950 and 1973 when unemployment was low and living standards were rising. Affluence may increase the opportunities for going off the rails, but is probably not a sufficient cause.
- Religious belief is more resilient than falling church attendance suggests.
- Divorce is closely linked to disorders in children, but parental conflict may prove a better explanation.
- Sexual abuse of children has probably not increased; reporting has.
- Crime rates have risen as much in rural as in urban areas.
- Puberty arrives much earlier

than 100 years ago, and so does a feeling of autonomy, but financial dependence lasts longer.

- Television may magnify the problems, but is probably a minor cause of them.
- The week after Marilyn Monroe killed herself, the US suicide rate temporarily jumped 12 per cent.
- Alcohol consumption fell in the first quarter of the century, was stable between the world wars, and increased markedly from 1950, to peak in 1980.
- Homicide in Japan (a country often an exception) is at 40 per cent of its 1951 rate.
- Adolescent-parent conflict is neither "necessary", universal nor usual.

Rutter and his team of experts are careful to say that explanations, however plausible, are merely hypotheses awaiting testing. Even so, it is right to ask whether sociology will ever be precise enough to guide us, either as legislators or as parents.

It was with this question in mind that I went to see the professor, a genial man who inhabits an untidy little office at the Institute of Psychiatry of London University next to the Maudsley Hospital in the southern suburbs.

He told me he had been surprised by three things in his report. One was the consistency of the evidence for the study's central conclusion after all errors of bias had been eliminated. Another was unexpected discrepancies: for example, why had the suicide rate gone up for young men but not for young women?

Most surprising, he said, was the lack of connection over time between the incidence of psychosocial disorders and poverty or unemployment.

But many commentators on his report, he said, had made a fundamental mistake: "They totally failed to appreciate that the explanation for changes over time is not the same as why one person has a problem and another doesn't."

Puberty and a feeling of autonomy arrive earlier than before but financial dependence lasts longer

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So, for example, the increase in people's height this century was almost certainly due to better diet, but the individual differences in height are genetic. The increase in drug-taking had a lot to do with the availability of drugs. "But it is another question who actually takes up drugs."

"There's good evidence that becoming unemployed increases the risk of crime, so we should not be complacent about unemployment. But the fact remains that the tenfold increase in crime over the last 50 years must be due to something else. It is really important to get across that these are not contradictory, they're different." It was a paradox waiting to be explained.

Are we witnessing the worst generation gap in history? No, says the professor. It is a problem of the two post second world war generations of youth, not between the generations. In fact, the generation gap may be narrowing.

Should we blame parents or governments?

"It would be a mistake to do either. Why have family difficulties increased? It would be absurd to suppose that parents have chosen that route and therefore to blame them is misleading. Equally to blame the government seems to me to be assuming a much closer association between national policies and disorders than is justified."

Is it fear of their freedom that teenagers are suffering from?

"I wouldn't put it quite like that. Young people have more options than they used to have and that's mostly a good thing. But it also means they have more decisions to make - about taking drugs, living together before marriage - than in previous eras."

Is someone failing to provide the restraints, or education?

"External constraints are not very effective," said the professor. "It's the development of internal constraints through one's upbringing that is important. I don't know that those are markedly less than they used to be."

He described the long gap between physical maturity and financial independence, and added, quoting some of his own research on secondary schools: "People need to learn how to take responsibility by being given responsibility. You learn by doing things, and responsibility is no different."

Rutter's hesitation to give explanations was as honest as it was prudent. But where should the sociologists go now for answers?

A narrower focus on domestic strife and family break-up was one obvious course; another was to do a



John Aronson

closer analysis of country trends and supposed risk factors, to see which influences were specific, which general.

How much confidence have you, I asked, that sociology can isolate the real causes?

"Limited confidence only. But the onus is very much on social scientists to put causal hypotheses as rigorously to the test as they possibly can. That's not easy, because you can't put them under the microscope in the laboratory."

And in the meantime?

"We know a certain amount about factors we can do something about, such as risks to be avoided at school and family protection to be encouraged. What is more difficult is to say what society should do. Sometimes one has to be willing to say that we don't understand enough what to do. I think that is the case here."

Is it possible there will never be a solution to a problem like this?

"No," replied Rutter, without hesitation. "If things have worsened as rapidly as they have it's got to be possible for it to go the opposite way."

"Moreover, it has done so before: suicide rates were high at the beginning of the century, went down and now have gone up again. So it's not as if everything is worse than it's ever been before. What we have got to do is understand why this has happened."

He cited the great, unforeseen decline in infant mortality over the century. "The challenge is to do the same in the psychosocial arena. We're not on the verge of doing that - that would be unrealistically optimistic. But it must be possible."

Do you say that because your life would be worthless if you could do nothing for the teenagers who come through your door?

"No, it's simply because all sorts of scientific research problems that seemed insoluble at one time have been solved. Of course, as we solve one set of problems, another rises its head."

As newspapers, films and television portray things, one might get the idea that the western world (and increasingly the ex-communist bloc) is being over-run by a barbarous horde of desperate criminals, druggies and depressives.

"The majority of young people are doing OK," said Rutter, "and that of course is good." Psychosocial disorders are exhibited by only a minority - though the professor calls it a "substantial" minority, by which he means between one in 10 and one in five.

"If you're talking about the proportion who come before the courts in places like London, it would be one in three or four boys. That's very high, though most of their offences are quite trivial. The number with persistent delinquency problems is much smaller. It's the same for depression. Mild transient depression is very common, serious disorders much less so."

"There isn't an easy figure to sum it all up. But whichever way you look at it, it is certainly still the case that the majority are doing all right."

Even though there are lots of sociologists constantly on the look-out for trouble?

The professor laughed. "That's right."

Psychosocial disorders in young people: John Wiley & Sons, Chichester, £49.95 in UK.

great disparities of wealth and power in a rigidly hierarchical society. But its redeeming feature was *caritas*. It was the ethos of a whole society in which the rich and powerful felt an urgent moral responsibility to make provision for the poor and dispossessed. The human community was felt to be organic. Many of our surviving medieval buildings are witnesses to that ideal. Of course there were greedy and cruel men who didn't care a damn. But everyone subscribed to the prevailing ethos of mutual responsibility, of public moral duties and personal answerability to God.

No one wants to turn back the clock. But the deep anger and resentment in our people may be because we sense that over the last decade the last remains of a fabric of humane and generous community has been wilfully eroded by corporate greed and arrogance posing as liberal individualism.

Hugh Dickinson is Dean of Salisbury

As They Say
in Europe

A novel political problem

The absence of the political novel is a worrying gap in the culture of continental western Europe. The genre can be literature or rubbish, but either way it is firmly rooted in an important area of national life.

In Germany there has been no such writing since Wolfgang Koeper's *Das Treibhaus* (The Greenhouse), which was really about the economic miracle, in the 1950s rather than the Bundestag. Italy in the 1970s enjoyed the novel *Berlinguer e il Professore*, which was in fact based on the life of the then leader of the Communist party.

In Britain and the US, and to some extent in Russia, the political novel flourishes, as does the film. These are based on real institutions. The daily political process provides them with an environment in which the real world hardly matters; the action takes place in ministries, 10 Downing Street, and the White House, or party conferences and conventions. The intricacies of politics are essential to their plots.

The lack of such literature arises in Germany and Italy for opposite reasons. German politics are too dull for any refined literary person to bother with. While in Italy no novel is said, could match reality. The media-mogul-turned-prime minister, the prime-minister-as-media-hit-man - you need only read the papers to enjoy the kind of tale that would be rejected at an airport news stand as too ridiculous.

But why not in France, a country with a long political history and strong and powerful traditions of democracy, of a sort? A publisher in Paris told me she had received manuscripts for such novels, but they were no good. If something worthwhile came along she would publish it, but she seemed bored by the idea. Yet there have been huge sales of books about former President Mitterrand.

The problem in France is that there is no real political life. The

US and UK politics have an emotional content lacking in, say, Germany

National Assembly does not matter. "Politics" is something that takes place between the offices of the president and the prime minister, the Elysee and the Matignon.

Perhaps the Anglo-Saxons lead in this field because of their obsession with the political process. Their newspapers boast specialised columnists, editors, correspondents and reporters. In London the broadcasters have built facilities near the Houses of Parliament which are the envy of MPs. The White House press centre is more powerful than the White House.

One wonders what it is all for. It is hard to believe that the Westminster hot-house produces much of significance. The only debate that matters is the one about the single currency, for that is an either-or choice. The rest is a question of emphasis - few believe a change of government would make much difference to the way the British live. In the US the decision-making process is so slow and tedious that it is all too easily overtaken by the electoral cycle, which dominates most comment. Yet somehow in both countries politics are "interesting" because there is an emotional content lacking in, say, Germany.

Continental Europeans believe politics is all right for half a page of newspaper and a news bulletin, but really has little to do with life. The idea of nationhood is not dominated by the state and the constitution. But does the absence of the political novel mean their civilisations are deficient? Let us see.

Hans Schnorckel emerged from the flat, grey bulk of the Bundestag as the bleak November wind whipped off the white flecked waves of the Rhine. He cursed silently, thinking of the lovely pumkin in the little apartment in Poppelsdorf where even now she would be preparing his favourite dish: pigs' belly stuffed with Thuringian liver dumplings, to be washed down with half a bottle of Doornik and a few litres of Diebels-Alt. Instead he would have to go back to his electoral district in Ulm and his skinny, trenchcoated wife, to toy with little pieces of pink duck and sip some ghastly thin swill of the same colour called Rosé d'Anjou.

The Italian variety writes itself. "As he was thrown into the overcrowded cell in Milan's San Vittore jail, Fabio Loffa thought back to that fateful June day when he had received the package containing 50m lire in used notes. The account plying scrawled message just said: 'Thanks for the contract'. It had seemed all so normal as he stuffed the money into the section of his wall safe marked 'Party Funds'. Now he realised, he had been framed."

How can they live without it?

James Morgan

James Morgan is economics correspondent of the BBC World Service

Truth of the Matter / Hugh Dickinson

A humanity eroded by greed

others are greedy swine?

This line of thought was eloquently put to me over dinner by a successful and possibly hard working businessman. His jaw set firm beneath a generous roll of jowl, his mouth like a letter box, more accustomed to receiving than to giving, he asked, did I agree with him? Um, well, no, not entirely. He twinkled at me. No, nor did he.

But for him the problem was presentation. And stupidity. Like that fellow Waldegrave. Used the wrong words. Got the fudge out of the wrong jar. Stupid. No one's doing anything illegal, for God's sake.

Does this mean even concealing evidence from the court that could acquit three innocent men is OK?

The good Sir Nicholas Lyell told us that at least it isn't illegal. Jeremy Handley says massive share options are "inconvenient to the presentation of privatisation". Just as adultery by cabinet ministers is inconvenient to the presentation of family values, I suppose.

But the true motive behind the widespread indignation about boardroom salaries and the politics of concealment is not envy but a very proper sense that these are symptoms of the attitudes of a group of people who do not care a jot about the feelings of the community at large. In terms of the economy of the nation, of course, the odd £2m or so handed out to the moguls of the public utilities is

chicken feed. In terms of the integrity of the social fabric of our country it signals an increasing dislocation between the rich and powerful and the feelings of ordinary people.

Nodes of great wealth and power create huge gravitational fields around them which bend normal morality. The unlucky winners of the Lottery will discover all too soon that reality and human relationships get painfully distorted.

What gets up the noses of ordinary folk and small shareholders ("the little people who pay taxes") is a sense that for all the rhetoric, public service directors and politicians are self-serving before all else. They make decisions in an arena where the distortions of

wealth and power operate in the interests of a financial and political oligarchy who simply do not understand (and maybe do not care) what the life of ordinary people is really like.

This moral instinct is being outraged by gross and public indecency. A London GP told me that in 30 years of general practice she had never known people in her surgery so angry. Gross disparities of financial reward - not just of adventurous wealth - and the arrogant assumption of impunity seem to suggest that directors and ministers are immeasurably more valuable to the community than deputy head teachers or junior doctors.

In the Middle Ages there were

John 1:15

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Worst secret

Current takeover

Results due next

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British Airways	10.15	+0.01

Company	Share Price	% Chg
British Airways	10.15	+0.01
British Airways	10.15	+0.01

Company	Share Price	% Chg
British Airways	10.15	+0.01
British Airways	10.15	+0.01

JPY 100 150

Weekend Investor

Wall Street

The heat is on as profit warnings bite

Analysts' optimism is misplaced as consumers save their cash, writes Maggie Urry

It is T-shirt weather on Wall Street. But they are being worn threadbare this year. T-shirt sales are down. So says Fruit of the Loom, the T-shirt and underwear maker, which on Tuesday warned that its second quarter profits would not match analysts' forecasts. The company's shares fell \$3.15 to \$23.75 that day and by yesterday morning had fallen nearly 20 per cent.

There are two lessons to be learned from this. The first is that the great American consumer is retrenching from the excesses of last year. Retail sales are weak (see chart). The Commerce Department's statistics showed May retail sales up only 0.2 per cent from April, which in turn showed a drop of 0.4 per cent from March. Economists had predicted a 0.8 per cent rise in May, a higher bounce back from the dull April figure.

One argument had been that consumers were receiving their tax refunds later this year, because the tax department was scrutinising returns more closely, and that once the cheques arrived people would rush out and spend the money. At \$25.4bn, May tax refunds were up \$8.3bn on May last year. But it seems that cash has gone into bank accounts, not shops.

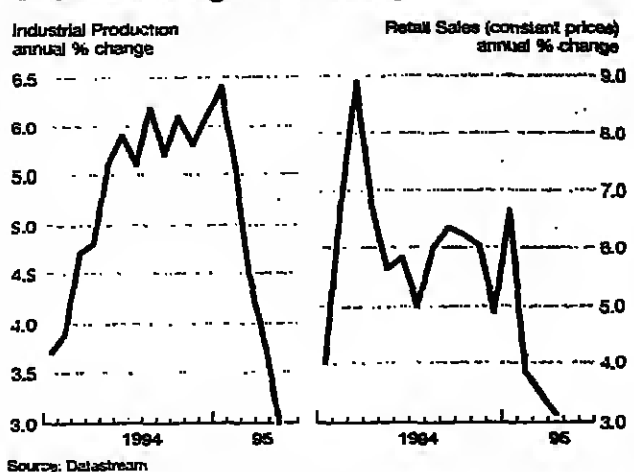
The second lesson is that profit warnings from companies are being taken badly by the market. Fruit of the Loom did not say its profits would be down, just that estimates ranging from 65 cents to 70 cents a share, compared to 51 cents a share in the same quarter of 1994, were too high.

In other words, analysts had been predicting a rise of between 27 and 37 per cent, a cracking rate of growth for what is a fairly mature business. When they found out that growth would be slower than that the shares were bit hard.

Another company whose shares suffered after a profit warning is Rubbermaid, which makes basic, low-price household goods and toys from plastic and rubber. Its shares fell 15 per cent when it said second quarter profits had been hit by higher raw material costs which, when translated into higher prices in shops, had cut sales.

What do these two lessons say about the economy and the stock market? The economy has certainly slowed sharply in

The weakening US economy



the second quarter. This week's figures for industrial production showed the third monthly fall in a row, with May's figure down 0.2 per cent, the longest run of declines since the recession of 1990-91.

But inflation is well under control. The consumer price index was up only 0.3 per cent in May and 3.2 per cent over the past 12 months. That may be because consumers are refusing to pay higher prices - as Rubbermaid discovered - rather than because there is an absence of inflationary pressures. If so, companies' profit margins will be squeezed.

The stock market is delighted by the slower economic growth and lower inflation, since that should allow interest rates to fall. Never mind repeated remarks by Federal Reserve officials that interest rates are not about to be cut. The market has decided that rates will be reduced at the August Fed meeting if not the July one.

Slower economic growth inevitably means slower profit growth. The stock market is ignoring this rule, with analysts forecasting profits rising strongly this year and next. Whenever a company, such as Fruit of the Loom or Rubbermaid, reminds the market of the rule its shares are hit.

Another example is the cardboard box industry. Sales of boxes are a good indicator of the strength of an economy, as so many goods are shipped in them. Paper companies' share prices fell this week when the Fibre Box Association revealed a fall in demand for boxes.

Meanwhile, shares in health management groups suffered after Humana warned its prof-

its would not match analysts' forecasts.

The occasional share price slump will not have much impact on the market as a whole, but if a trend of profit warnings develops, the market could be challenged.

The consensus forecast for earnings from the S & P 500 constituents is for a rise from \$38.27 a share in 1995 to \$43.78 in 1996. That sort of rise would be difficult to achieve without rolling back economic growth or higher inflation. Neither would inspire the Fed to lower interest rates.

Even so there was plenty of corporate news this week to encourage the market to attack the 4,500 mark.

Mergers and demergers are both good for share prices. It can be argued that both make corporate America stronger. Demergers add focus while mergers add scale or strategic benefits.

IBM added \$4 a share to its original \$60 bid for Lotus Development, and turned a hostile approach into an agreed deal. In the electronic payments industry, First Data announced a merger with First Financial Management.

At the same time, ITT's shares jumped when it said it would break itself into three, while Sprint proposed the sale or spin-off of its cellular phone business and W.R. Grace announced the demerger of its medical care division.

Dow Jones Ind Average
Monday 4,446.46 + 22.47
Tuesday 4,484.51 + 38.05
Wednesday 4,481.08 + 6.57
Thursday 4,496.27 + 5.19
Friday

Banks dance to continental tune

Philip Coggan records yet another takeover bid

The London market got the bid activity it wanted this week - but not from last week's favourite target, pharmaceutical company Zeneca. Instead, the victim was one of the City's own, merchant bank Kleinwort Benson, which announced it was in merger discussions with Germany's Dresdner Bank.

Rumours about such a deal had been circulating for months. Now, Kleinwort looks set to become the third merchant bank this year, after Barings and S.G. Warburg, to be taken over by a continental European company.

Merchant banking in Britain has become almost like UK car manufacturing - an industry owned entirely by overseas companies. Of course, when the car industry went into decline, commentators pointed the finger at greedy workers demanding excessive pay packets - not an accusation that could ever be made against merchant bankers.

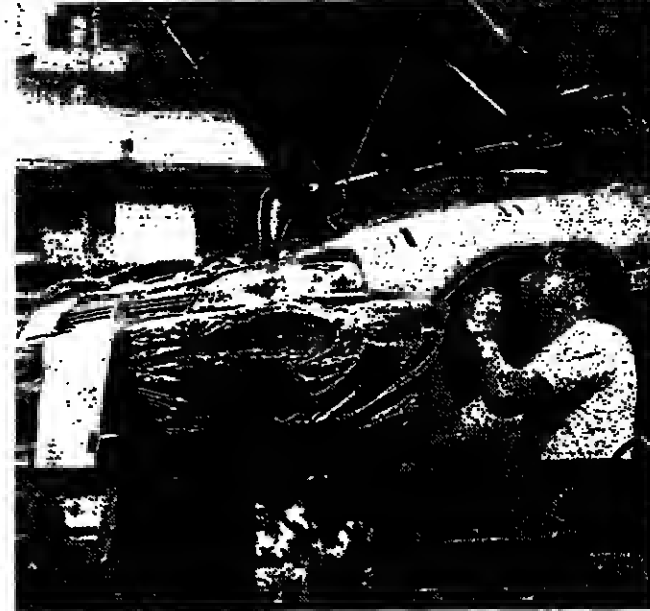
Bid speculation helped the FT-SE 100 index complete the week with an 8.4-point gain to 3,888.1, despite some potentially worrying news about one of the UK's oldest problems. Inflation rose again last month, with the headline annual rate climbing in May to 3.4 per cent from 3.3 per cent in April and the underlying rate (excluding mortgage interest payments) edging up to 2.7 per cent from 2.6 per cent.

Chancellor Kenneth Clarke's predecessor, Norman Lamont, established a target for underlying inflation of 1 to 4 per cent, with the aim of getting the rate into the lower half of the range by the end of this parliament. Clarke reaffirmed this target in his annual Mansion House speech this week. Indeed, he extended it, saying that the aim would be to keep underlying inflation at or below 2.5 per cent indefinitely. But this monetary rectitude was diluted by a briefing to Tory MPs in which Clarke said that events outside his control,

such as a change in trade prices, "could temporarily take us away from this objective". The charitable interpretation of this statement is that it is sensible to build flexibility into economic targets to avoid the kind of problems caused during Britain's membership of the exchange rate mechanism. It would, however, be easy for bond investors to take a less charitable view of the comments.

After all, most men would not get a good reception from their wives were they to say: "My long term aim is total fidelity but, from time to time, events outside my control - one drink too many, perhaps, or an overseas business trip - may force me away from this objective."

British governments have strayed from the path of virtue too often for markets to give them much leeway in future. As the graph shows, UK inflation has traditionally been above the average of the G7 economies. In 1993, it actually



The UK's banks are becoming like the UK's car industry

fell below the G7 average but now, once again, Britain is raising prices faster than its rivals.

News on the inflation front was not entirely gloomy this week, however. The underlying annual growth rate of average earnings remained at 3.5 per cent in April, indicating that there is little inflationary pressure from wage costs. Unemployment fell by just 10,000 in May - disappointing news for most of us but encouraging for the markets, which like signs that the pace of economic growth is slowing.

Overall, however, the market continued to show signs of taking a breather after its 400-point rally since the start of March, and technical indicators suggest its short term momentum is now weak. On Wednesday, declining stocks outpaced advancing ones over a 10-day period for the first time since March. The daily number of stocks making 1995 highs slumped to 64 on Monday, having reached 485 early in May.

All this shows that the broad mass of the market has been faltering even though the leading stocks have been holding up - on Thursday, the FT-SE 100 index closed within 10 points of its 1995 high.

A significant factor behind the broad market's weakness has been gilts. While US Treasury bonds remain close to their 1995 highs, 10-year gilt yields have climbed back over 8 per cent.

Declining hopes of an imminent cut in US interest rates, inflationary worries about the UK, and some disappointing public sector borrowing requirement numbers yester-

day have all contributed to the weakness of gilts. The result is that the yield ratio - the relationship between gilt and equity income returns - is no longer hovering around 2, the level at which shares normally have been cheap during the past 25 years.

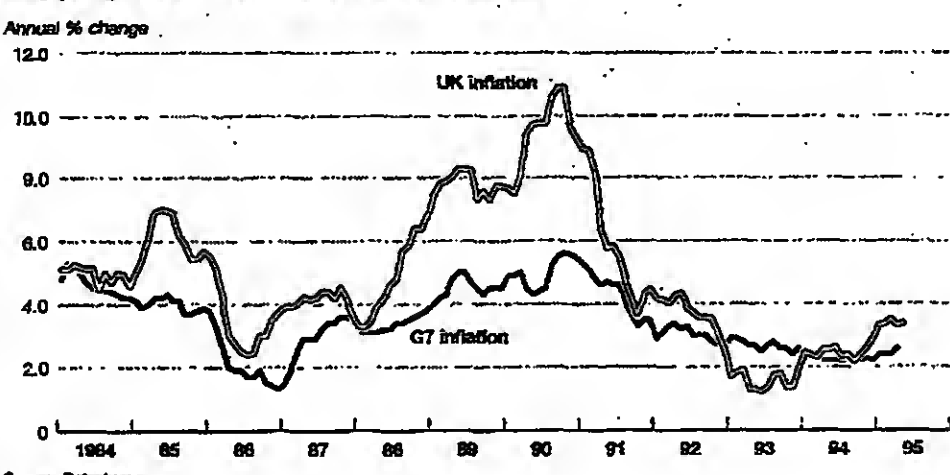
Other indicators suggest the market is not under-valued. The historic price-earnings ratio on the FT Industrials index is around 16.8, compared with an average of 14.7 since 1985 and 12.8 since 1965. The dividend yield on the FT-100 All-Share index is below 4 per cent, a level which traditionally has brought poor returns for investors buying shares.

None of this suggests a substantial setback. Before the 1987 crash, the market's p/e was over 20 and the dividend yield under 3 per cent. But it does leave London vulnerable to a correction overseas, particularly in the US where the Dow Jones industrial average broke through a new barrier - 4,500 - this week.

But perhaps those UK investors who have been worrying about the US have been looking in the wrong direction. The Tokyo stock market has apparently been detached from the rest of the world in recent years but Japan is still the world's largest creditor.

This week, worries about the strength of the financial system sent the Nikkei 225 index below 15,000. A deflationary crisis in Japan, as some commentators feel is now unfolding, would be bound to have negative implications for the London market.

Slipping behind in the inflation stakes



Highlights of the week

	Price	Change	1995	1995
	Ytd	on week	High	Low
FT-SE 100 Index	3366.1	+28.4	3380.8	2954.2
FT-SE Mid 250 Index	3690.8	-18.1	3700.9	3300.9
Aktours	420	-20	446	409
British Airways	423	+20	438.5	348
Cable & Wireless	448	+43	448	350.5
Enth	105	+28	108	53
Fortis	298	+10	251.5	224.5
ICI	761	-24	809	680
Inchcape	300	-18	430	274
Kleinwort Benson	713	+25	728	529
Kwik Save	664	+58	664	519
Northumbrian Water	975	+52	988	679
Tadpole Technology	40	-45	376	37
Thorn EMI	1348	+81	1348	997
Zeneca	1089	+54	1123	840

Drugs & banks bid speculation
Weak utilities sector
SG Warburg profits downgrade
US buying
Takeover rumours
Bid from Graham Group
Warburg recommendation
Rohm & Haas profit warning
Far East demand worries
Approach by Dresdner
Broker's recommendations
Indicates Lyonsise bid terms
Gloomy trading report
Demerger speculation
Roche bid talks persist



Barry Riley

Japan's interminable hangover

Is the normal economic cycle shifting towards a slump?

Japan's plight is often blamed in the west on the inexplicable reluctance of its economic managers to follow the

generously-offered advice of foreigners. But you also argue, from history, that great secular surges of economic growth usually are followed, eventually, by slumps as economies undergo a traumatic period of rebalancing. It happened, after all, to the United States in the 1930s. The only choice, perhaps, is whether the readjustment should be short and savage or long-drawn-out and merely uncomfortable.

What problems does Japan really have, anyway? Unemployment is no higher than 3.2 per cent (admittedly, a record high) while inflation is zero to minus a bit, and there is a balance of payments surplus of \$125bn. Its government is the most creditworthy anywhere in the world, judging by the interest rate of less than 3 per cent it pays on its 10-year bonds.

For the more obvious signs of stress you have look deeper, and sometimes at Japan's trading partners. The banking system is now admitted officially to have had and doubtful debts of the order of \$500bn. And the output gap (the deviation of GDP from trend growth, a measure of idle capacity) is running at near 10 per cent, according to UK broker Smith New Court.

At the beginning of this year, economic growth was expected widely to be between 2 and 3 per cent, but 1 per cent now looks more likely. Japan's attempt to export its latent unemployment problem through a trade imbalance (physical exports last year were 65 per cent greater than imports) is pitching it into a threatened trade war with the United States.

As for the stock market, there has been a one-third fall over the past 12 months as the intractable nature of the economic problems has become evident and hopes of recovery have faded. The Nikkei average has now dropped to within 2 or 3 per cent of the 1992 low point.

In a normal economic cycle, the bond and stock markets move more or less together, although with bonds usually ahead in time by a few months. In the recession part of the cycle, bonds are strong because inflation is dropping and financial surpluses in the economy are growing. The lower long-term interest rates have a positive valuation effect on equities which more than offsets the weakness of company earnings at that stage of the cycle. The bull market is on its way.

In Japan this year, however, the bond and stock markets have moved in radically different directions. The squeeze on the corporate sector has been so severe as to

overwhelm the positive impact of lower bond yields. The surge in the yen has crippled hopes of a recovery in company profits - and, in spite of the market's fall, the average p/e is still over 50. A dividend yield of under 1 per cent provides no support.

This is symptomatic of a shift from a normal economic cycle into a slump. Japan's crippled banking system cannot provide the new credit which might sustain a recovery in domestic demand. Output and capacity will have to be cut, but this is happening only very slowly because the pressures on Japanese companies from shareholders and banks to restructure themselves are quite weak. In the meantime, there is a vast export surplus which is generating a huge over-valuation of the yen.

Fear of further yen appreciation keeps capital bottled up inside Japan, pushing interest rates ever lower. This week, the biggest domestic long-term savings cycle into a slump. Japan's crippled banking system cannot provide the new credit which might sustain a recovery in domestic demand. Output and capacity will have to be cut, but this is happening only very slowly because the pressures on Japanese companies from shareholders and banks to restructure themselves are quite weak. In the meantime, there is a vast export surplus which is generating a huge over-valuation of the yen.

Fear of further yen appreciation keeps capital bottled up inside Japan, pushing interest rates ever lower. This week, the biggest domestic long-term savings

institutions, the life insurance companies, released results which show the severe pressures on them.

Existing life policies on the books offer promised returns of about 4 1/2 per cent, but the average return being obtained on investments is 2.8 per cent. One response has been to sell riskier assets such as domestic equities and overseas bonds, thus causing stock market weakness and, through repatriation of foreign currency investments, a further strengthening of the yen. This could be the main danger for the rest of the world: a sell-off by the Japanese who have accumulated, for instance, \$800bn in foreign bonds over the past decade.

Japan's recent economic history provides classic textbook material. The brilliant performance by the manufacturing sector over three decades, fostered carefully by the government, was allowed to form the basis of a credit spiral and vast asset price inflation. But the government's priority has now switched to shoring up the banking sector. An alarming downside remains to asset prices, despite the declines of the past five years: real estate prices remain extraordinarily high by international standards.

A residual wealth illusion remains from the backing of unrealised profits of financial

institutions, so that banks have been busy recently "crossing" their holdings of long-held stocks to bring unrealised gains on to their balance sheets. But no actual cash can be generated until these assets are sold gradually to new buyers. Such investors may not appear except at much lower prices than these.

For decades, no Japanese bank has been permitted to fail, and there is an implied guarantee for banks in trouble. But the government is now becoming alarmed at the prospect that a blank cheque will be presented. If the financial black hole in the private sector (probably several times as large as the \$800bn being quoted) can be shifted on to the public sector's balance sheet, the economy might be able to begin a recovery. But the government's own creditworthiness would be threatened, and the future burden on the Japanese taxpayer would be immense.

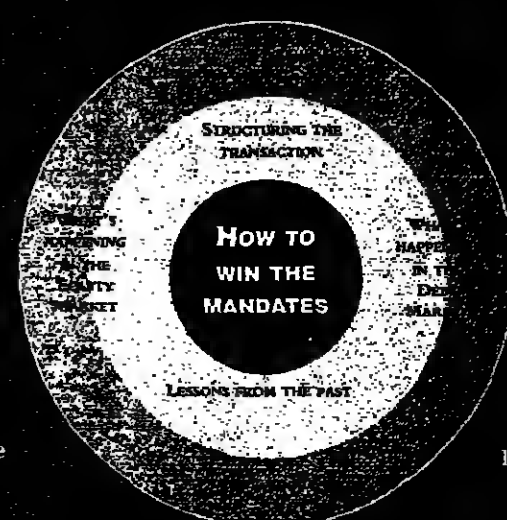
In fact, you can argue that high-flying Japanese bonds are now even more vulnerable (if the crisis intensifies) than equities, which have fallen a long way already. Yet, investors nostalgic about the heady heights of 39,000 reached by the Nikkei average at the end of 1989 should remember that Wall Street's Dow Jones average took until 1954 to regain its 1929 pre-crash peak.

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